CIRCULAR DATED 27 DECEMBER 2023

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

BEFORE MAKING ANY INVESTMENT IN THE SHARES (AS DEFINED BELOW), YOU SHOULD CONSIDER THE INFORMATION PROVIDED IN THIS CIRCULAR CAREFULLY AND CONSIDER WHETHER YOU UNDERSTAND WHAT IS DESCRIBED IN THIS CIRCULAR. YOU SHOULD ALSO CONSIDER WHETHER AN INVESTMENT IN THE SHARES IS SUITABLE FOR YOU, TAKING INTO ACCOUNT YOUR INVESTMENT OBJECTIVES AND RISK APPETITE. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY. YOU ARE RESPONSIBLE FOR YOUR OWN INVESTMENT CHOICES.

If you have sold or transferred all your ordinary shares (the "**Shares**") in the capital of Axington Inc. ("**Axington**" or the "**Company**") held through The Central Depository (Pte) Limited (the "**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares represented by physical share certificate(s), you should immediately forward this Circular, the enclosed Notice of Extraordinary General Meeting and the accompanying Proxy Form to the purchaser or the transferee, or to the bank, stockbroker or agent through whom the sale or the transfer was effected for onward transmission to the purchaser or the transferee.

Neither the Monetary Authority of Singapore (the "**Authority**") nor the Singapore Exchange Securities Trading Limited (the "**SGX-ST**" or the "**Exchange**") has examined or approved the contents of this Circular. Neither the Authority nor the SGX-ST assumes any responsibility for the contents of this Circular, including the correctness or accuracy of any of the statements or opinions or reports contained in this Circular. The SGX-ST does not normally review the application for admission but relies on the Sponsor confirming that the listing applicant is suitable to be listed and complies with the rules. Neither the Authority nor the SGX-ST has in any way considered the merits of the Shares or units of Shares. The lodgement of this Circular with the SGX-ST, acting as agent on behalf of the Authority, does not imply that the Securities and Futures Act 2001 (the "**SFA**"), or any other legal or regulatory requirements, or requirements under the Catalist Rules (as defined herein), have been complied with.

An application has been made to the SGX-ST for the listing and quotation of the Shares, the Consideration Shares, the Introducer Shares, the Placement Shares, the Option Shares, the Awards Shares and the Interco Shares (all as defined herein) on the Catalist Board. The listing and quotation notice, if issued by the SGX-ST, is not to be taken as an indication of the merits of the Proposed Transactions (as defined herein), the Company, the Target Group (as defined herein), the Shares, the Consideration Shares, the Introducer Shares, the Placement Shares, the Option Shares, the Awards Shares and the Interco Shares.

Companies listed on the Catalist Board may carry higher investment risk when compared with larger or more established companies listed on the SGX-ST Mainboard. In particular, companies may list on the Catalist Board without a track record of profitability and there is no assurance that there will be a liquid market in the Shares traded on the Catalist Board. You should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with your professional adviser(s).

Terms appearing on the cover of this Circular bear the same meanings as defined in this Circular.

This document has been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. It has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document. The contact person for the Sponsor is Mr Josh Tan, Registered Professional, RHT Capital Pte. Ltd. at 36 Robinson Road, #10-06, City House, Singapore 068877, sponsor@rhtgoc.com.

YOUR ATTENTION IS DRAWN TO SECTION 2.7 OF THIS CIRCULAR WHICH HIGHLIGHTS CERTAIN MATERIAL RISKS RELATING TO THE TARGET GROUP, ITS BUSINESS AND INDUSTRY AND OWNERSHIP OF THE SHARES FOLLOWING COMPLETION.

IF ANY OF THE RISKS SET OUT IN THE SECTION ABOVE DEVELOPS INTO ACTUAL EVENTS, THE ENLARGED GROUP'S BUSINESS, FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS COULD BE MATERIALLY AND ADVERSELY AFFECTED. IN SUCH CASES, THE TRADING PRICES OF THE SHARES COULD DECLINE AND YOU MAY LOSE ALL OR PART OF YOUR INVESTMENTS.

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

(1) THE PROPOSED ACQUISITION OF THE ENTIRE SHAREHOLDING INTEREST IN ACHIEVA TECHNOLOGY SDN. BHD. AND 49.0% SHAREHOLDING INTEREST IN ACHIEVA DIGITAL (THAILAND) COMPANY LIMITED FOR AN AGGREGATE CONSIDERATION OF S$27,000,000, BEING A REVERSE TAKEOVER;

(2) THE PROPOSED ALLOTMENT AND ISSUANCE OF 114,406,780 CONSIDERATION SHARES FOR THE PROPOSED ACQUISITION AT THE ISSUE PRICE OF S$0.236 FOR EACH CONSIDERATION SHARE;

(3) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY TAKEOVER OFFER FROM SERIAL SYSTEM LTD;

(4) THE PROPOSED ALLOTMENT AND ISSUANCE OF UP TO 2,118,644 INTRODUCER SHARES AT THE ISSUE PRICE OF S$0.236 FOR EACH INTRODUCER SHARE;

(5) THE PROPOSED COMPLIANCE PLACEMENT OF UP TO 22,500,000 PLACEMENT SHARES;

(6) THE PROPOSED SHARE CONSOLIDATION OF EVERY EIGHT (8) EXISTING ORDINARY SHARES INTO ONE (1) CONSOLIDATED SHARE;

(7) THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS TO THE COMPANY;

(8) THE PROPOSED NEW SHARE ISSUE MANDATE;

(9) THE PROPOSED CHANGE OF INDEPENDENT AUDITOR;

(10) THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM "AXINGTON INC." TO "SERIAL ACHIEVA LIMITED";

(11) THE PROPOSED ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF THE COMPANY;

(12) THE PROPOSED ADOPTION OF A GENERAL MANDATE FOR CERTAIN INTERESTED PERSON TRANSACTIONS;

(13) THE PROPOSED ADOPTION OF THE SERIAL ACHIEVA EMPLOYEE SHARE OPTION SCHEME;

(14) THE PROPOSED ADOPTION OF THE SERIAL ACHIEVA PERFORMANCE SHARE PLAN; AND

(15) THE PROPOSED ALLOTMENT AND ISSUANCE OF 17,410,169 INTERCO SHARES, COMPRISING 5,803,390 INTERCO LOAN SHARES AND 11,606,779 INTERCO BALANCE SHARES AT THE ISSUE PRICE OF S$0.236 FOR EACH INTERCO SHARE.

AXINGTON INC.

Axington Inc.

(Incorporated under the Labuan Companies Act 1990, Malaysia)
(Company Registration Number: LL12218)

Financial Adviser and Sponsor to the Company for the Proposed Acquisition

RHT Capital Pte. Ltd.
(Company Registration No.: 201109968H)
(Incorporated in the Republic of Singapore)

Independent Financial Adviser in respect of the Proposed Whitewash Resolution and the Proposed IPT Mandate

W Capital Markets Pte. Ltd.
(Company Registration No.: 201813207E)
(Incorporated in the Republic of Singapore)

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CORPORATE INFORMATION

BOARD OF DIRECTORS	:	Mr Roberto Dona (*Non-Executive Chairman and Independent Director*) Mr Ang Chiang Meng (*Executive Director*) Mr Teo Choon Kow @ William Teo (*Independent Non-Executive Director*) Mr Luke Anthony Furler (*Independent Non-Executive Director*)
PROPOSED NEW BOARD OF DIRECTORS	:	Mr Sean Goh (*Chairman and Non-Executive Director*) Ms Victoria Goh (*Non-Executive Director*) Mr Kenny Sim (*Executive Director and CEO*) Mr Tan Thiam Hee (*Lead Independent Director*) Mr Kenny Yap Kim Lee (*Independent Director*) Mr Solomon Tan (*Independent Director*) Mr Jason Su *(Independent Director)*
COMPANY SECRETARIES	:	**Hans Corporate Services Ltd (Resident secretary)** Chen Chuanjian, Jason Tan Ching Ching
REGISTERED OFFICE OF THE COMPANY	:	Lot A020, Level 1, Podium Level Financial Park, Jalan Merdeka 87000 Federal Territory of Labuan, Malaysia
REGISTERED OFFICE OF THE TARGET COMPANY	:	10th Floor, Menara Hap Seng No.1 & 3 Jalan P. Ramlee 50250 Kuala Lumpur Wilayah Persekutuan, Malaysia
SHARE REGISTRAR AND SHARE TRANSFER AGENT	:	**Tricor Barbinder Share Registration Services** 9 Raffles Place #26-01 Republic Plaza I Singapore 048619
FINANCIAL ADVISER AND SPONSOR TO THE COMPANY FOR THE PROPOSED ACQUISITION	:	**RHT Capital Pte. Ltd.** 36 Robinson Road #10-06, City House Singapore 068877
INDEPENDENT AUDITOR TO THE COMPANY	:	**Foo Kon Tan LLP** 1 Raffles Place #04-61, One Raffles Place Singapore 048616 Partner-in-charge: Mr Cheong Wenjie (a member of the Institute of Singapore Chartered Accountants)
INDEPENDENT AUDITOR TO THE TARGET GROUP	:	**Moore Stephens LLP** 10 Anson Road #29-15, International Plaza Singapore 079903 Partner-in-charge: Mr Neo Keng Jin (a member of the Institute of Singapore Chartered Accountants)

LEGAL ADVISER IN RESPECT OF THE PROPOSED TRANSACTIONS AS TO SINGAPORE LAW	:	**TSMP Law Corporation** 6 Battery Road Level 5 Singapore 049909
LEGAL ADVISER IN RESPECT OF THE PROPOSED ACQUISITION AS TO MALAYSIAN LAW	:	**Cheang & Ariff** Loke Mansion 273A Jalan Medan Tuanku 50300 Kuala Lumpur Malaysia
LEGAL ADVISER IN RESPECT OF THE PROPOSED ACQUISITION AS TO THAI LAW	:	**Thanathip & Partners Legal Counsellers Limited** 17th Floor, Tonson Tower 900 Ploenchit Road Lumpini, Pathumwan Bangkok 10330 Thailand
LEGAL ADVISER TO THE FINANCIAL ADVISER AND SPONSOR	:	**Opal Lawyers LLC** 30 Cecil Street #10-01/02, Prudential Tower Singapore 049712
INDEPENDENT FINANCIAL ADVISER IN RESPECT OF THE PROPOSED WHITEWASH RESOLUTION AND THE PROPOSED IPT MANDATE	:	**W Capital Markets Pte. Ltd.** 65 Chulia Street #43-01, OCBC Centre Singapore 049513
INDEPENDENT BUSINESS VALUER	:	**AVA Associates Limited** 806 Empress Plaza 17-19 Chatham Road South Tsim Sha Tsui, Hong Kong
PRINCIPAL BANKERS OF THE TARGET GROUP	:	**United Overseas Bank (Malaysia) Berhad** Menara UOB Jalan Raja Laut, Peti Surat 11212 50738 Kuala Lumpur **Maybank Islamic Berhad** Level 30, Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur
INTRODUCER	:	Mr Kho Wee Hong George

Save where the context otherwise requires, the following definitions apply throughout this Circular:

Enlarged Group Companies

"**Company**" or "**Purchaser**"	:	Axington Inc. (formerly known as Axcelasia Inc. and to be renamed as Serial Achieva Limited upon Completion)
"**Enlarged Group**"	:	The enlarged group of companies comprising the Company and the Target Group upon Completion, and the term "**Enlarged Group Company**" shall be construed accordingly
"**Group**"	:	The Company and its subsidiaries (prior to the disposal and striking off of its subsidiaries)
"**Target Company**"	:	Achieva Technology Sdn. Bhd.
"**Target Thai Company**"	:	Achieva Digital (Thailand) Company Limited
"**Target Group**"	:	The Target Company and the Target Thai Company

Proposed New Directors and Proposed New Executive Officers

"**Mr Sean Goh**"	:	Goh Su Teng (Wu Shuzhen)
"**Ms Victoria Goh**"	:	Goh Si Hui Victoria
"**Mr Kenny Sim**"	:	Sim Mong Keang
"**Mr Kenny Yap Kim Lee**"	:	Yap Kim Lee
"**Mr Tan Thiam Hee**"	:	Tan Thiam Hee
"**Mr Solomon Tan**"	:	Tan Jun Zhang, Solomon
"**Mr Jason Su**"	:	Su Weixun, Jason
"**Ms Ellen Yap**"	:	Yap Wai Fong
"**Mr Jason Soh**"	:	Soh Wei Keong Jason (Su Weiqiang Jason)
"**Mr Natthawat**"	:	Natthawat Prempojwatana

Other Organisations, Persons and Entities

"**ACRA**"	:	The Accounting and Corporate Regulatory Authority of Singapore
"AMD"	:	Advanced Micro Devices, Inc. or AMD International Sales & Service Ltd., as the case may be
"**Audit Committee**"	:	The existing audit committee of the Board
"**Authority**" or "**MAS**"	:	Monetary Authority of Singapore
"**ASEAN**"	:	Association of Southeast Asian Nations
"BNM"	:	Bank Negara Malaysia
"**Board**"	:	The existing board of directors of the Company
"**CDP**" or "**Depository**"	:	The Central Depository (Pte) Limited
"**CEO**"	:	Chief Executive Officer

"**CPF**"	:	The Central Provident Fund
"**DBS**"	:	DBS Bank Ltd.
"**Dorr**"	:	Dorr Global Healthcare International Pte. Ltd.
"**Directors**"	:	Directors of the Company from time to time
"**Dynabook**"	:	Dynabook Singapore Pte. Ltd.
"**EAR Group**"	:	The group of entities-at-risk as set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of the Target Group's Letter to Shareholders
"**Executive Officers**"	:	Executive officers of the Company from time to time
"**Existing Thai Company**"	:	Achieva Technology (Thailand) Co., Ltd. (to be renamed as "Print IQ MPS Co., Ltd" upon Completion)
"**Financial Controller**"	:	Ms Ellen Yap
"**Gigabyte**"	:	Giga-byte Technology Co., Ltd.
"**Group General Manager**"	:	Mr Jason Soh
"**Group Employees**"	:	Executive Directors and employees of the Enlarged Group and associated companies
"**Implementation Agreement**"	:	The implementation agreement entered into between the Company, the Vendor, the Existing Thai Company and Mr Natthawat in relation to the commencement of the Thai IT Consumer Business by the Target Thai Company
"**Independent Auditor**"	:	Moore Stephens LLP
"**Independent Business Valuer**"	:	AVA Associates Limited, the independent business valuer commissioned for the Independent Valuation
"**Independent Director**"	:	The independent directors of the Company from time to time
"**Independent Financial Adviser**" or "**IFA**"	:	W Capital Markets Pte. Ltd., the independent financial adviser to the Independent Recommending Directors in respect of the Proposed Whitewash Resolution and the Proposed IPT Mandate
"**Independent Recommending Directors**"	:	Directors who are considered independent for the purpose of the Proposed Whitewash Resolution and the Proposed IPT Mandate, being Mr Tan Thiam Hee, Mr Kenny Yap Kim Lee, Mr Solomon Tan and Mr Jason Su
"**Independent Shareholders**"	:	Shareholders who are considered independent for the purpose of the Proposed Whitewash Resolution
"**Intel**"	:	Intel Semiconductor (US) LLC
"**Introducer**"	:	Mr Kho Wee Hong George
"**IRAS**"	:	The Inland Revenue Authority of Singapore
"**Joint Receivers**"	:	Oon Su Sun and Lin Yueh Hung of RSM Corporate Advisory Pte. Ltd.
"**Labuan FSA**"	:	The Labuan Financial Services Authority

"**Mandated Interested Persons**"	:	(a) Serial System; (b) SIFE; (c) SMPL; (d) SerialTec; and (e) any future Subsidiaries of Serial System and "**Mandated Interested Person**" shall be construed accordingly
"**Mandated Transactions**"	:	The transactions between any Entity at Risk and the Mandated Interested Persons as set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" in the Target Group's Letter to Shareholders
"**Mandated IPT Report**"	:	A monthly report generated by the finance department of the Enlarged Group for review by the Financial Controller
"**Manufacturers**"	:	The manufacturers of the IT products and computer peripherals that the Target Company sells, and that the Target Thai Company will sell on Completion, as local in-country resellers and distributors
"**Maybank**"	:	Maybank Islamic Berhad
"**MMD**"	:	MMD Singapore Pte. Ltd., the manufacturer of the "AOC" and "Philips" brand of LCD monitors
"**MSI**"	:	Micro-Star Int'l Co., Ltd., the manufacturer of the "MSI" brand of IT products and peripherals
"**New Audit and Risk Committee**"	:	The new audit and risk committee of the board of directors of the Company upon Completion
"**New Nominating Committee**"	:	The new nominating committee of the board of directors of the Company upon Completion
"**New Remuneration Committee**"	:	The new remuneration committee of the board of directors of the Company upon Completion
"**Non-Executive Directors**"	:	The non-executive directors of the Company, from time to time
"**Nominating Committee**"	:	The existing nominating committee of the Board
"**PNY**"	:	PNY Technologies Asia Pacific Limited
"**Proposed Independent Directors**"	:	The proposed independent directors of the Company upon Completion, being Mr Tan Thiam Hee, Mr Kenny Yap Kim Lee, Mr Solomon Tan and Mr Jason Su
"**Proposed Lead Independent Director**"	:	The proposed lead independent director of the Company upon Completion being Mr Tan Thiam Hee
"**Proposed New Board**"	:	The proposed board of directors of the Company upon Completion being Mr Sean Goh, Ms Victoria Goh, Mr Kenny Sim, Mr Tan Thiam Hee, Mr Kenny Yap Kim Lee, Mr Solomon Tan and Mr Jason Su
"**Proposed New Directors**"	:	The proposed directors to be appointed to the board of the Company upon Completion being Mr Sean Goh, Ms Victoria Goh, Mr Kenny Sim, Mr Tan Thiam Hee, Mr Kenny Yap Kim Lee, Mr Solomon Tan and Mr Jason Su
"**Proposed New Executive Director**"	:	The proposed executive director of the Company upon Completion being Mr Kenny Sim

"**Proposed New Executive Officers**"	:	The proposed executive officers of the Company upon Completion being Mr Jason Soh, Ms Ellen Yap and Mr Natthawat
"**Proposed Non-Executive Chairman**"	:	The proposed non-executive, non-independent Chairman of the Company upon Completion being Mr Sean Goh
"**Remuneration Committee**"	:	The existing remuneration committee of the Board
"**RHT Capital**", "**Financial Adviser**" or "**Sponsor**"	:	RHT Capital Pte. Ltd.
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**SGX RegCo**"	:	Singapore Exchange Regulation Pte. Ltd.
"**Serial System**"	:	Serial System Ltd.
"**Serial System Group**"	:	Serial System and its subsidiaries
"**SerialTec**"	:	SerialTec Pte. Ltd. (formerly known as Achieva Technology Pte Ltd)
"**Share Registrar**" and "**Share Transfer Agent**"	:	Tricor Barbinder Share Registration Services
"**SIC**"	:	The Securities Industry Council of Singapore
"**SMPL**"	:	Serial Microelectronics Pte Ltd
"**Straitsmart**"	:	Straitsmart Sdn. Bhd.
"**Substantial Shareholder**"	:	A person (including a corporation) who has an interest in not less than 5.0% of the issued shares of a company and "**Substantial Shareholders**" shall be construed accordingly
"**UOB Malaysia**"	:	United Overseas Bank (Malaysia) Berhad
"**Vendor**" or "**SIFE**"	:	Serial I-Tech (Far East) Pte. Ltd.
"**Year of Assessment**" or "**YA**"	:	Year of assessment as determined by IRAS

General

"1H"	:	The six (6)-month financial period ended or ending 30 June, as the case may be
"**Act**" or "**Companies Act**"	:	The Companies Act 1967 of Singapore
"**Affected Shareholders**"	:	Shareholders or depositors (as the case may be) who hold less than eight (8) Shares as at the Consolidation Books Closure Date
"**Aggregate Interco Balance**"	:	Has the meaning ascribed to it in Section 15 of this Circular
"**AGM**"	:	An annual general meeting of the Company
"**AMD Products**"	:	The products from AMD which Serial System and SMPL sell to local in-country resellers in Southeast Asia and Japan respectively
"**Announcement**"	:	The Company's announcement of its entry into the SPA in connection with the Proposed Acquisition dated 2 September 2022

"**Award Shares**"	:	The new Shares which may be issued upon the vesting of awards to be granted under the Serial Achieva Performance Share Plan
"**Business Day**"	:	A day on which banks are open for business in Singapore (other than Saturdays, Sundays and days which are gazetted as public holidays)
"**Business Valuation Report**"	:	The independent business valuation report prepared by the Independent Business Valuer, a summary of which has been set out in Appendix F to this Circular
"**Catalist Board**"	:	The Catalist Board of SGX-ST
"**Catalist Rules**"	:	The SGX-ST's Listing Manual Section B: Rules of Catalist, as may be amended, modified, supplemented or revised from time to time
"**Charged Shares**"	:	All the Dorr Shares, being the Shares subject to the Share Charge
"**Consolidated Shares**"	:	The shares to be consolidated pursuant to the Proposed Share Consolidation as set out in section 6 of this Circular and "**Consolidated Share**" shall be construed accordingly
"**Consolidation Books Closure Date**"	:	The time and date to be determined by the Directors after consultation with the Sponsor for compliance with the relevant Catalist Rules, at and on which the Register of Members and share transfer books of the Company will be closed to determine the entitlements of Consolidated Shares of Shareholders pursuant to the Proposed Share Consolidation
"**Circular**"	:	This circular to Shareholders dated 27 December 2023 including all its appendices attached hereto
"**Code**"	:	The Singapore Code on Take-overs and Mergers, as may be amended, modified, supplemented or revised from time to time
"**Completion**"	:	Completion of the Proposed Acquisition
"**Completion Date**"	:	The date on which Completion occurs
"**Conditions Precedent**"	:	The conditions which must be satisfied or waived before completion of the Proposed Acquisition can take place under the terms of the SPA
"**Consideration Shares**" or "**Consideration Share**"	:	The 114,406,780 new Consolidated Shares to be issued and allotted to Serial System (as the entity directed by the Vendor to receive and hold the Consideration Shares) on Completion in satisfaction of the Purchase Consideration
"**Effective Trading Date**"	:	The date on which the Consolidated Shares will trade on the SGX-ST in board lots of one-hundred (100) Consolidated Shares
"**EGM**"	:	The extraordinary general meeting of the Company to be held on 22 January 2024 at 10.30 a.m. at 218 Pandan Loop S128408, L2 Xhowroom, the notice of which is set out in this Circular
"**Enlarged Share Capital**"	:	157,274,381 Consolidated Shares, being the enlarged issued and paid-up share capital of the Company (excluding treasury shares and subsidiary holdings) after the allotment and issuance of the Consideration Shares, the Introducer Shares, and the Interco Shares, after adjusting for the Proposed Share Consolidation, but excluding the issuance and allotment of the Placement Shares under the Proposed Compliance Placement

"**EPS**"	:	Earnings per Share
"**Existing Memorandum and Articles**"	:	The existing memorandum and articles of association of the Company
"**FE Notices**"	:	Foreign exchange policy notices
"**First Amendment Letter**"	:	The amendment letter entered into between the Vendor and the Company on 3 April 2023 amending the terms of the SPA
"**FSA**"	:	Financial Services Act 2013
"**FY**"	:	In relation to the Company, the Target Company and the Target Thai Company, the financial year ended or ending 31 December, as the case may be
"**FTC**"	:	Foreign Tax Credit
"**GST**"	:	Goods and Services Tax
"**Income Tax Act**"	:	Income Tax Act 1947 of Singapore
"**Interested Persons**"	:	Has the meaning set out in Chapter 9 of the Catalist Rules
"**IFA Letter**"	:	Appendix E to this Circular, titled "*Letter From W Capital Markets Pte. Ltd. to the Independent Recommending Directors*"
"**IFRS**"	:	International Financial Reporting Standards
"**IFSA**"	:	Islamic Financial Services Act 2013
"**Independent Valuation**"	:	The Business Valuation Report rendered by the Independent Business Valuer in respect of the market value of the Sale Shares as at 30 June 2023
"**Interco Balances**"	:	Has the meaning set out in Section 15 of this Circular
"**Interco Balance Shares**"	:	11,606,779 new Consolidated Shares to be allotted and issued pursuant to the settlement of the Interco Balances
"**Interco Loan**"	:	Has the meaning set out in Section 15 of this Circular
"**Interco Loan Shares**"	:	5,803,390 new Consolidated Shares to be allotted and issued pursuant to the settlement of the Interco Loan
"**Interco Shares**"	:	Means the Interco Loan Shares and the Interco Balance Shares
"**Introducer Fee**"	:	Means the fee of S$500,000 payable to the Introducer on Completion which shall be satisfied by way of the allotment and issuance of the Introducer Shares
"**Introducer Shares**"	:	The allotment and issuance of up to 2,118,644 new Consolidated Shares to the Introducer at the Issue Price on Completion as satisfaction of the Introducer Fee
"**ITA 1967**"	:	Income Tax Act 1967 of Malaysia
"**Issue Price**"	:	S$0.236, being the issue price per Consolidated Share of each Consideration Share, Interco Share and Introducer Share

"**Key Resolutions**"	:	The key resolutions in this Circular as set out in section 1.4 of this Circular, which are inter-conditional
"**LBATA**"	:	Labuan Business Activity Tax Act 1990
"**Labuan Companies Act**"	:	The Labuan Companies Act 1990
"**Latest Practicable Date**"	:	15 December 2023, being the latest practicable date prior to the lodgement of this Circular
"**Long-Stop Date**"	:	Means 31 March 2024, or such other date as the parties to the SPA may agree
"**LPS**"	:	Loss per Share
"**Market Day**"	:	A day on which the Exchange is open for securities trading
"**Minimum Public Float**"	:	In compliance with Rule 1104 and Rule 723 of the Catalist Rules, at least 10% of the total number of Shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed is at all times held by at least two-hundred (200) shareholders who are members of the public
"**MSI**"	:	Micro-Star International Co., Ltd., the manufacturer of the "MSI" brand of IT products and peripherals
"**MSI Novation Agreement**"	:	The novation agreement which has the effect of substituting the Existing Thai Company with the Target Thai Company under the existing distribution agreement dated 1 January 2023 between the Existing Thai Company and MSI
"**NAV**"	:	Net asset value
"**New Memorandum and Articles**"	:	The proposed new memorandum and articles of association of the Company upon Completion, the full text of which is set out in Appendix H to this Circular
"**New Share Certificates**"	:	Share certificates for the Consolidated Shares
"**NTA**"	:	Net tangible assets
"**Notice of EGM**"	:	The notice of extraordinary general meeting which is annexed to this Circular
"**Odd Lot Shareholders**"	:	Shareholders with lots other than board lots of one-hundred (100) Consolidated Shares
"**Official List**"	:	The official list of SGX-ST consisting of companies admitted to (and not removed) from the SGX Mainboard and the SGX Catalist
"**Option Shares**"	:	The new Shares which may be issued upon the exercise of share options to be granted pursuant to the Serial Achieva Employee Share Option Scheme
"**Period Under Review**"	:	The period comprising FY2020, FY2021, FY2022 and 1H2023
"**Placement Shares**"	:	Up to 22,500,000 new Consolidated Shares to be allotted and issued pursuant to the Proposed Compliance Placement in section 5.1 of this Circular

"**Proforma Group Accounts**"	:	The compilation of the unaudited *pro forma* consolidated financial statements for FY2022 and 1H2023, which would illustrate the impact of the following significant events: (i) the acquisition by the Company of the Target Company; and (ii) the acquisition by the Company of 49.0% shareholding interest in the Target Thai Company
"**Proposed Acquisition**"	:	The proposed acquisition by the Company of the entire shareholding interest of the Target Company and a 49.0% shareholding interest in the Target Thai Company subject to the terms and conditions of the SPA
"**Proposed Adoption of the New Memorandum and Articles**"	:	The proposed adoption of the New Memorandum and Articles, which will replace the Existing Memorandum and Articles entirely
"**Proposed Adoption of the Serial Achieva Employee Share Option Scheme**"	:	The proposed adoption of the Serial Achieva Employee Share Option Scheme
"**Proposed Adoption of the Serial Achieva Performance Share Plan**"	:	The proposed adoption of the Serial Achieva Performance Share Plan
"**Proposed Appointment of the Proposed New Directors**"	:	The proposed appointment of the Proposed New Directors to the board of directors of the Company upon Completion
"**Proposed Change of Name**"	:	The proposed change of name of the Company from "**Axington Inc.**" to "**Serial Achieva Limited**"
"**Proposed Change of Independent Auditor**"	:	The proposed change of Independent Auditor from Foo Kon Tan LLP to Moore Stephens LLP
"**Proposed Compliance Placement**"	:	The proposed issuance and allotment of up to 22,500,000 Placement Shares to satisfy the minimum distribution and shareholding spread requirements of 15.0% of the Enlarged Share Capital to be held by two-hundred (200) public shareholders on Catalist following Completion, as described in section 5 of the Circular
"**Proposed Issuance of the Consideration Shares**"	:	The proposed issuance of the Consideration Shares to Serial System (as the entity directed by the Vendor to receive and hold the Consideration Shares)
"**Proposed Issuance of the Interco Shares**"	:	The proposed issuance of the Interco Shares to Serial System
"**Proposed Issuance of the Introducer Shares**"	:	The proposed issuance of the Introducer Shares to the Introducer
"**Proposed IPT Mandate**"	:	The general mandate obtained for the purpose of Interested Person Transactions which are necessary for the Enlarged Group's day-to-day operations, as detailed in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of the Target Group's Letter to Shareholders

"**Proposed New Share Issue Mandate**"	:	The proposed grant of a general mandate and authority to the directors of the Company to, amongst others, issue and allot new Shares, as described in section 8 of the Circular
"**Proposed Share Consolidation**"	:	The proposed consolidation of every eight (8) existing Shares into one (1) Consolidated Share, as described in section 6 of the Circular
"**Proposed Share Issuance Transactions**"	:	Collectively, the Proposed Issuance of the Consideration Shares, the Proposed Issuance of the Interco Shares and the Proposed Issuance of the Introducer Shares
"**Proposed Transactions**"	:	Collectively, the Proposed Acquisition, the Proposed Issuance of the Consideration Shares, the Proposed Whitewash Resolution, the Proposed Issuance of the Introducer Shares, the Proposed Compliance Placement, the Proposed Share Consolidation, the Proposed Appointment of the Proposed New Directors, the Proposed New Share Issue Mandate, the Proposed Change of Independent Auditor, the Proposed Change of Name, the Proposed IPT Mandate, the Proposed Adoption of the Serial Achieva Employee Share Option Scheme, the Proposed Adoption of the Serial Achieva Performance Share Plan and the Proposed Issuance of the Interco Shares
"**Proposed Whitewash Resolution**"	:	The resolution proposed as Ordinary Resolution 3 in the Notice of EGM which, if approved by a majority of the Independent Shareholders in a general meeting of the Company in accordance with the requirement set out in Appendix 1 of the Code, would result in a waiver of their rights to receive a mandatory general offer from Serial System who would incur an obligation to make a mandatory general offer under Rule 14 of the Code for all the Shares not already owned, controlled or agreed to be acquired by Serial System as a result of the allotment and issuance of the Consideration Shares under the Proposed Acquisition, provided that parties not being Independent Shareholders abstain from voting on such resolution
"**Purchase Consideration**"	:	The purchase consideration for the sale and purchase of the Sale Shares, being S$27,000,000
"**Proxy Form**"	:	The proxy form in respect of the EGM as set out in this Circular
"**Relevant Period**"	:	The Period Under Review and the period from 1 July 2023 to the Latest Practicable Date
"**Register of Members**"	:	A register containing details of a company's shareholders such as name, shares held, date of allotment, type of share, shares transfers and etc
"**RPGT**"	:	Real property gains tax
"**RTO**"	:	The reverse takeover
"**Sale Shares**"	:	The Target Company Sale Shares and the Target Thai Company Sale Shares which are to be acquired by the Company on the terms and subject to the conditions of the SPA
"**Second Amendment Letter**"	:	The second amendment letter entered into between the Vendor and the Company on 17 November 2023 further amending the terms of the SPA

"**Serial System Non-Compete Undertaking**"	:	A deed of undertaking executed by Serial System to mitigate potential conflicts of interest as set out in the section titled "*Potential Conflicts of Interest – Mitigation of Potential Conflicts of Interest*" of the Target Group's Letter to Shareholders
"**Serial System Deed of Undertaking**"	:	A deed of undertaking executed by Serial System the terms of which are described in the section titled "*Management's Discussion and Analysis of Results of Operations and Financial Position of the Target Company – Liquidity and Capital Resources*" of the Target Group's Letter to Shareholders
"**Service Agreement**"	:	The service agreement between the Company and the Proposed New Executive Director, Mr Kenny Sim
"**SFA**"	:	The Securities and Futures Act 2001 of Singapore
"**SFR**"	:	Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore
"**SFRS**"	:	Singapore Financial Reporting Standard
"**SFRS(I)**"	:	Singapore Financial Reporting Standard International
"**SGXNET**"	:	Singapore Exchange Network, a system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
"**Shares**"	:	Ordinary shares in the capital of the Company
"**Shareholders**"	:	Registered holders of Shares, except where the registered holder is CDP, in which case the term "**Shareholders**" shall in relation to such Shares mean the Depositors whose securities accounts maintained with CDP are credited with Shares
"**Shareholders' Undertaking**"	:	The undertaking executed by the Joint Receivers as set out in section 2.8 of this Circular to (a) not sell, transfer or otherwise dispose of or encumber any or all of the Charged Shares until the conclusion of the EGM; and (b) vote in favour of the resolutions to be tabled at an EGM to be convened to approve, *inter alia*, the Proposed Acquisition
"**SPA**"	:	The sale and purchase agreement between the Company and the Vendor dated 2 September 2022, as amended by the First Amendment Letter and the Second Amendment Letter
"**Substantial Shareholder**"	:	A person (including a corporation) who has an interest in not less than 5.0% of the issued shares of a company
"**Target Company Sale Shares**"	:	Means all of the ordinary shares of the Target Company, being the Target Company's entire issued and paid-up share capital
"**Target Group's Letter to Shareholders**"	:	Appendix A to this Circular, titled "*Letter to Shareholders from the Proposed New Board*"
"**Thai IT Consumer Business**"	:	The business of operating as a local in-country reseller of consumer and enterprise IT products and computer peripherals in Thailand

"**Target Thai Company Lease Agreement**"	:	The lease agreement dated 27 December 2023 entered into between the Target Thai Company and Mr Natthawat in relation to the premises as described in section titled "*Properties and Fixed Assets – Target Thai Company*" of the Target Group's Letter to Shareholders
"**Target Thai Company Sale Shares**"	:	Means such number of ordinary shares representing 49.0% of the Target Thai Company's entire issued and paid-up share capital
"**Target Thai Company Service Agreement**"	:	The service agreement dated 27 December 2023 entered into between the Target Thai Company and Mr Natthawat
"**Target Thai Company SHA**"	:	The shareholders agreement dated 27 December 2023 entered into between the Company and Mr Natthawat in respect of the Target Thai Company
"**Unit Share Market**"	:	A market to facilitate the trading of odd lots in any quantity less than one (1) board lot of the underlying securities in the Ready Market
"**Whitewash Resolution**"	:	The resolution by the Independent Shareholders at a general meeting of the Company to waive their right to receive a mandatory general offer from Serial System and parties acting in concert with Serial System in connection with the issuance of the Consideration Shares under the Proposed Acquisition
"**Whitewash Waiver**"	:	The conditional waiver given by the SIC to make a general offer under Rule 14 of the Code as a result of the allotment and issuance of the Consideration Shares to Serial System under the Proposed Acquisition as set out in section 3 of the Circular
"**Year of Assessment**" or "**YA**"	:	Year of assessment as determined by IRAS

Currencies, Units and Others

"**S$**", "**SGD**" and "**cents**"	:	Singapore dollars and cents respectively, the lawful currency of Singapore
"**%**"	:	Per centum
"**N.A.**"	:	Not Applicable
"**n.m.**"	:	Not meaningful
"**sq ft**"	:	Square feet
"**RM**"	:	Ringgit Malaysia, the lawful currency of Malaysia
"**THB**"	:	Thai Baht, the lawful currency of Thailand
"**USD**" and "**US cents**"	:	United States dollars and cents respectively, the lawful currency of the United States of America

Unless the context otherwise requires:

(a) the terms "**depositor**", "**depository register**" and "**depository agent**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA and the terms "**subsidiary**", "**related company**" and "**substantial shareholder**" shall have the meanings ascribed to them in Sections 5, 6 and 81 of the Companies Act respectively;

(b) the terms "**acting in concert**" and "**whitewash resolution**" shall have the meanings ascribed to them in the Code;

(c) the terms "**associate**", "**associated company**" and "**controlling shareholder**" shall have the meanings ascribed to them in the section titled "*Definitions and Interpretation*" of the Catalist Rules, where relevant;

(d) the terms "**entity-at-risk**" and "**interested person**" shall be persons falling within the scope of the definitions for the same set out in Section 1 of the Fourth Schedule of the SFR or the Catalist Rules, where relevant;

(e) words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. Unless the context otherwise requires, any references to persons shall include individuals, corporate bodies (wherever incorporated), unincorporated associations and partnerships;

(f) any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the SFR, the Catalist Rules or the Code or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the SFA, the SFR, the Catalist Rules or the Code or such modification thereof, as the case may be, unless the context otherwise requires;

(g) any reference to a time of a day in this Circular shall be a reference to Singapore time unless otherwise stated;

(h) any reference in this Circular to Shares and/or new Shares being allotted and/or allocated to a person includes allotment and/or allocation to CDP for the account of that person;

(i) any discrepancies between the figures listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them; and

(j) the headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

To facilitate a better understanding of the Enlarged Group's business, the following glossary provides an explanation and description of certain technical terms and abbreviations used in this Circular. The meanings assigned to the terms and abbreviations should not be treated as definitive, and may not correspond to standard industry meanings or usage of these terms:

"computer memory"	:	A device or system that is used to store information for immediate use in a computer or related computer hardware and digital electronic devices
"CPU coolers"	:	Computer hardware component used to cool the CPU, consisting of a heat sink, a mounting bracket, and usually a cooling fan
"CPU"	:	Central processing unit i.e., the most important processor in a computer
"desktop chassis"	:	The enclosure that contains most of the hardware of a computer
"GPU"	:	A specialized electronic circuit designed to manipulate and alter memory to accelerate the creation of images in a frame buffer intended for output to a display device
"Hard Drive"	:	A computer storage device containing rigid rotating platters
"IT"	:	Information Technology
"LCD"	:	Liquid-crystal display i.e., a flat-panel display or other electronically modulated optical device that uses the light-modulating properties of liquid crystals combined with polarizers
"Memory Module"	:	A printed circuit board on which memory integrated circuits are mounted
"Motherboard"	:	The main printed circuit board in general-purpose computers and other expandable systems that holds and allows communication between many of the crucial electronic components of a system, such as the CPU and memory, and provides connectors for other peripherals
"PC"	:	Personal computer
"PSUs"	:	Power supply units which converts power for the internal components of PC
"RAM"	:	Random-access memory i.e., a form of computer memory that can be read and changed in any order, typically used to store working data and machine code
"SSD"	:	Solid-state drive i.e., a solid-state storage device that uses integrated circuit assemblies to store data persistently, typically using flash memory, and functioning as secondary storage in the hierarchy of computer storage
"USB"	:	An industry standard that establishes specifications for cables, connectors and protocols for connection, communication and power supply (interfacing) between computers, peripherals and other computers
"VGA Card"	:	Video Graphics Accelerator card i.e., a computer expansion card that generates a feed of graphics output to a display device such as a monitor

1. Exchange controls

Singapore

Currently, there are no exchange control restrictions in effect in Singapore.

Malaysia

Exchange control in Malaysia which is applicable to the Target Company only is governed by the FSA and the IFSA. In exercise of the power conferred by the FSA and the IFSA, BNM has issued FE Notices pursuant to Section 214 of the FSA and Section 225 of the IFSA which came into operation on 1 June 2022. The FE Notices read together with Schedule 14 of the FSA and the IFSA set out the requirement for BNM's approval to be obtained by residents and non-residents for transactions which would otherwise be prohibited. The FE Notices may from time to time be amended or revoked by BNM through issuance of a written notice.

As the Company is incorporated in Labuan, the Company is not subject to exchange control regulation when dealing with non-residents of Malaysia.

Currently, the FE Notices may be divided into the following two (2) categories:

(a) ***Rules applicable to a non-resident entity of Malaysia***

Investment in Malaysia

A non-resident is allowed to invest in any form of RM assets either as direct or portfolio investments in Malaysia. The investment can be funded through the conversion of foreign currency to RM with licensed onshore banks or through an appointed overseas office of the licensed onshore bank's banking group. Investments can also be funded through foreign currency borrowings in any amount from a licensed onshore bank or RM borrowings from licensed onshore banks in limited circumstances.

Repatriation

A non-resident is allowed to repatriate from Malaysia fundings including any income earned or proceeds from divestment arising from investments in Malaysia. Repatriation, however, must be made in foreign currency and that the conversion of RM into foreign currency is undertaken in accordance with the FE Notices.

Foreign Currency Accounts and External Accounts in RM

A non-resident entity is allowed to open a foreign currency account with licensed onshore banks in Malaysia, individually or jointly with a resident individual or another non-resident entity and an external account in RM in Malaysia.

Borrowings

A non-resident entity is allowed to obtain RM financing from a resident entity in any amount to finance real sector activities in Malaysia. A non-resident entity is free to obtain foreign currency financing in any amount from licensed onshore banks or up to RM50.0 million equivalent per calendar year from another resident entity.

(b) ***Rules applicable to a resident entity of Malaysia***

Investment in Foreign Currency Assets

A resident entity without domestic RM borrowing is allowed to invest in foreign currency assets up to any amount.

A resident entity with domestic RM borrowing is allowed to invest in foreign currency assets subject to limitations set out in the FE Notices.

Borrowings

A resident entity is allowed to borrow foreign currency in any amount from a licensed onshore bank, any resident entity(ies) within its group or from its direct shareholder with at least 10.0% effective shareholding in the resident entity.

A resident entity is allowed to borrow in RM in any amount to finance a real estate sector in Malaysia from non-resident entities within its group of entities and including a non-resident direct shareholder.

Financial Guarantees

A Malaysian resident lender is free to obtain any amount of financial guarantees, whether in RM or in foreign currency, from a non-resident guarantor to secure borrowings obtained by a resident or non-resident borrower. Where a borrowing obtained by a resident in RM or foreign currency is approved in the FE Notices or otherwise approved in writing by BNM, the financial guarantees obtained to secure such borrowings are deemed to be approved.

Thailand

Thai foreign exchange controls are administered by the Bank of Thailand on behalf of the Ministry of Finance, pursuant to the Exchange Control Act B.E. 2485 (1942), as amended. The Bank of Thailand has granted commercial banks and certain other entities the authority to conduct foreign exchange transactions as authorised agents of the Bank of Thailand. The Bank of Thailand has instituted measures since 1998 to restrict certain foreign exchange transactions relating to the baht currency by domestic financial institutions with non-residents of Thailand and to safeguard against instability and speculation in the domestic currency market. However, relaxations may be granted from time to time as the Bank of Thailand considers appropriate to the particular financial circumstances.

The inward remittance of foreign currency into Thailand for investment in securities does not require registration with the exchange control authorities, but the recipient is required to, within three hundred and sixty (360) days, either: (i) sell such foreign currency to an authorised agent; or (ii) deposit it into a foreign currency account opened with a commercial bank in Thailand, unless such inward remittance is less than USD1,000,000 (or its equivalent).

The outward remittance from Thailand of dividends or the proceeds of sale (including capital gain) from the transfer of shares after payment of the applicable Thai taxes, if any, does not require prior approval from an exchange control officer appointed by the Bank of Thailand. However, the payer is required to inform the relevant authorised agent without having to submit additional supporting documents or evidence if the amount is less than USD1,000,000 or the equivalent amount in relevant currency per remittance. If the amount is at least USD200,000 (or its equivalent) or more in the relevant currency, a specified form must be submitted to the authorized agent together with documents or evidence as to the particular transaction, unless the relevant authorized agent has undergone banks' Know-Your-Business (KYB) process with the payer.

Export of share certificates or other securities certificates from Thailand does not require prior approval from an exchange control officer appointed by the Bank of Thailand. The exporter may either dispatch the certificates by mail or carry them when traveling abroad.

2. Taxation

The following is a summary of certain tax matters arising under the laws in Singapore, Labuan and Malaysia (excluding Labuan) and is not intended to be and does not constitute legal or tax advice.

The summary is based on existing tax laws of Singapore, Labuan and Malaysia (excluding Labuan) in force as at the Latest Practicable Date and is subject to any changes in such laws, or in interpretation of such laws, occurring after such date, which changes could be made on a retrospective basis. These laws are also subject to various interpretations and no assurance can be given that the courts or fiscal authorities responsible for the administration of such laws

will agree with this interpretation. The summary is limited to a general description of certain tax consequences in Singapore, Labuan and Malaysia (excluding Labuan) with respect to the purchase, ownership or disposition of the Shares by Singapore investors, and does not purport to be a comprehensive or exhaustive description of all of the tax considerations that may be relevant in a decision to purchase, own or dispose of the Shares.

Prospective investors should consult their own tax advisers regarding the tax consequences of purchasing, owning and disposing of the Shares. It is emphasised that neither the Company, the Enlarged Group, the Directors, the Target Group, the Proposed New Board nor any other persons involved in this Circular accept the responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Shares.

Singapore

Individual Income Tax

An individual taxpayer (both resident and non-resident) is subject to Singapore income tax on income accrued in or derived from Singapore. Foreign-sourced income received or deemed received in Singapore by an individual is exempt from income tax in Singapore except for such income received through a partnership in Singapore.

An individual is regarded as tax resident in Singapore if in the calendar year preceding the year of assessment, he was physically present in Singapore or exercised an employment in Singapore (other than as a director of a company) for one-hundred and eighty-three (183) days or more, or if he ordinarily resides in Singapore.

Currently, a Singapore tax resident individual is subject to tax at the progressive resident rates, ranging from 0.0% to 22.0%, after deductions of qualifying personal reliefs where applicable.

A non-Singapore tax resident individual is taxed at the rate of 22.0%, except that Singapore employment income derived is taxed at a flat rate of 15.0% or at progressive resident rates, whichever yields a higher tax.

Corporate Income Tax

Corporate taxpayers (both resident and non-resident) are subject to Singapore income tax on income accrued in or derived from Singapore (i.e. Singapore-sourced) and income received in Singapore from outside Singapore (i.e. foreign-sourced income received or deemed received in Singapore) unless specifically exempt from income tax.

Foreign-sourced income in the form of branch profits, dividends and service fee income received or deemed received in Singapore by a Singapore tax resident company are exempted from Singapore tax provided that the following qualifying conditions are met:

(a) such income is subject to tax of a similar character to income tax (by whatever name called) under the law of the territory from which such income is received;

(b) at the time the income is received in Singapore, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of the territory from which the income is received is at least 15.0%; and

(c) the Comptroller of Income Tax is satisfied that the tax exemption would be beneficial to the recipient of the foreign-sourced income in the form of branch profits, dividends and service fee income.

Pursuant to a tax concession granted with effect from 30 July 2004, the above foreign income exemption has been extended to include foreign-sourced income in the form of branch profits, dividends and service fee income which is exempted from tax (i.e. underlying and withholding tax) in the foreign jurisdiction as a result of a tax incentive granted by that foreign jurisdiction for carrying out substantive business activities in that foreign jurisdiction.

If the foreign income is not tax exempt in Singapore, a Singapore tax resident corporate taxpayer is entitled to claim foreign tax credit ("**FTC**") for the overseas tax paid on such foreign income, subject to meeting the relevant conditions. The amount of FTC available to a Singapore tax resident corporate taxpayer is based on the lower of:

(a) the Singapore tax payable on the particular source of income which qualifies for FTC; or

(b) the actual foreign tax suffered on the same income.

Under the FTC pooling system, Singapore resident companies may elect to claim FTC on a pooled basis on any items of its foreign-sourced income, rather than the usual source-by-source and country-by-country basis, subject to meeting the relevant conditions as follows:

(a) income tax must have been paid on the income in the foreign jurisdiction from which the income is derived;

(b) at the time the foreign-sourced income is received in Singapore, the highest corporate tax rate (headline tax rate) of the foreign jurisdiction from which the income is derived is at least 15.0%;

(c) there must be Singapore income tax payable on the foreign-sourced income; and

(d) the taxpayer is entitled to claim FTCs under Sections 50, 50A or 50B of the Income Tax Act on its foreign-sourced income.

The amount of foreign tax credit to be granted under the FTC pooling system is based on the lower of the total Singapore tax payable on the pooled foreign-sourced income and the pooled foreign taxes paid on that income.

The prevailing corporate income tax rate in Singapore is 17.0% with the first S$300,000 of a company's normal chargeable income exempt from tax as follows (Year of Assessment 2019 and before):

(a) 75.0% of the first S$10,000 of chargeable income; and

(b) 50.0% of the next S$290,000 of chargeable income.

With effect from Year of Assessment 2020, the first S$200,000 of a company's normal chargeable income exempt from tax shall be as follows:

(a) 75.0% of the first S$10,000 of chargeable income; and

(b) 50.0% of the next S$190,000 of chargeable income.

As announced in the 2020 Budget by the Minister of Finance, all companies will enjoy a corporate income tax rebate of 25.0% of the tax payable up to a maximum tax rebate of $15,000 for the Year of Assessment 2020.

A company is regarded as a tax resident in Singapore if the control and management of its business is exercised in Singapore. Generally, control and management of a company is vested in its board of directors and its tax residency is generally where its board of directors meet to make strategic business decisions of the company.

Dividend Distributions

Singapore operates a one-tier corporate tax system under which the tax on corporate profits is a final tax and all dividends paid by Singapore tax resident companies to their shareholders are exempt from Singapore income tax in the hands of the shareholders, regardless of whether the shareholder is a company or an individual and whether or not the shareholder is a Singapore tax resident.

There is no withholding tax on the dividend payments to both resident and non-resident shareholders.

Foreign shareholders receiving tax exempt (one-tier) dividends are advised to consult their own professional tax advisers to take into account the tax laws of their respective countries of residence and the applicability of any double taxation agreement which their country of residence may have with Singapore.

Capital Gains Tax

Singapore currently does not impose tax on capital gains. However, gains from the disposal of the Shares may be construed to be an income nature and subject to Singapore income tax if they arise from activities which the Comptroller of Income Tax regards as the carrying on of a trade or business in Singapore.

Section 13Z of the Income Tax Act provides for certainty on non-taxability of gains derived by a corporate taxpayer from the disposal of ordinary shares during the period from 1 June 2012 to 31 December 2027 (both dates inclusive) where:

(a) the divesting company had legally and beneficially held a minimum shareholding of 20.0% of the ordinary shares of the company whose shares are being disposed; and

(b) the divesting company had maintained the minimum 20.0% shareholding for a continuous period of at least twenty-four (24) months immediately prior to the disposal.

The abovementioned "safe harbour rule" prescribed under Section 13Z of the Income Tax Act is not applicable under the following scenarios:

(a) during the period from 1 June 2012 to 31 May 2022, on the disposal(s) of shares in an unlisted investee company which is in the business of trading or holding Singapore immovable properties (other than the business of property development); and

(b) during the period from 1 June 2022 to 31 December 2027, on the disposals of unlisted shares in investee companies that are in the business of trading, holding or developing immovable properties in Singapore or abroad.

In addition, corporate Shareholders who have adopted, or who are required to adopt, the Singapore Financial Reporting Standard International ("**SFRS(I)**") 9 (Financial Instruments) which replaces the existing SFRS(I) 1-39 (Financial Instruments – Recognition and Measurement) for accounting purposes may be required to recognise gains or losses in accordance with the provisions of SFRS(I) 9 regardless of any disposal of the Shares being made. If so, the gain or loss on the Shares may be taxed or allowed as a deduction for Singapore income tax purposes notwithstanding being unrealised.

Shareholders are advised to consult their own professional tax advisers on the Singapore tax consequences on their subscription, purchase, holding and disposal of the Shares.

Bonus Shares

Any bonus shares received by Shareholders are not taxable in Singapore.

Stamp Duty

There is no stamp duty payable on the subscription for, allotment or holding of the Shares.

Stamp duty is generally payable on instruments of transfer of shares at the rate of 0.2% of the consideration paid or the net asset value of the shares (whichever is higher).

The purchaser is liable for stamp duty, unless there is an agreement to the contrary.

No stamp duty is payable if no instrument of transfer is executed (such as in the case of scripless shares, the transfer of which does not require instruments of transfer to be executed) or if the instrument of transfer is executed outside Singapore (unless the instrument of transfer which is executed outside Singapore is received in Singapore).

GST

The sale of the Shares by a GST-registered investor belonging in Singapore to another person belonging in Singapore is an exempt supply not subject to GST. Any GST incurred by the investor in making such an exempt supply is not recoverable from the Comptroller of Income Tax.

Where the Shares are sold by a GST-registered investor in the course of a business to a person belonging outside Singapore, and who is outside Singapore at the time the sale is executed, the sale will be considered a taxable supply subject to GST at zero-rate (i.e. 0%). Subject to the provision of the Goods and Services Tax Act 1993 of Singapore, any GST incurred by the GST-registered investor in the making of such taxable supply in the course of or furtherance of a business, may be recoverable from the Comptroller of GST.

Services such as brokerage, handling and clearing services, or advising on the issue, allotment, or transfer of ownership of the Shares, rendered by a GST-registered person to an investor belonging in Singapore in connection with the investor's subscription for, acquisition, sale or disposal of the Shares will be subject to GST at the prevailing standard rate of 8.0%. The GST rate will be raised from 8.0% to 9.0% on 1 January 2024. Similar services rendered to an investor belonging outside Singapore, and who is outside Singapore when the services are supplied, will generally be subject to GST at zero-rate, provided that the services provided do not benefit any Singapore persons.

Estate Duty

Singapore estate duty has been abolished since 15 February 2008.

Labuan

The Labuan tax regime is regulated under the Labuan Business Activity Tax Act 1990 ("**LBATA**").

The LBATA provides for tax incentives for Labuan entities carrying on Labuan business activities in or from Labuan. A Labuan business activity means a Labuan trading or a Labuan non-trading activity carried on in, from and through Labuan.

Labuan Corporate Tax

A Labuan company carrying on a Labuan trading activity such as banking, insurance, trading, management, licensing, shipping operations or any other activity which is not a Labuan non-trading activity in, from or through Labuan has its tax liability assessed at the rate of 3.0% on its net profits as reflected in the audited accounts for each year of assessment. However, a Labuan entity carrying on a Labuan business activity that fails to meet the requirements prescribed under subsidiary regulations made under LBATA for a year of assessment shall be taxed at the rate of 24.0% on its chargeable profits for that year of assessment.

Notwithstanding this, a Labuan company can elect to pay income tax under the Malaysian Income Tax Act 1967 ("**ITA 1967**") and such election is non-revocable. If a Labuan company is approved to co-locate its operational and management office in Kuala Lumpur, it must make a non-revocable election to pay income tax under the ITA 1967.

A Labuan company involved in a Labuan non-trading activity, such as investment in securities, stock, shares, loans, deposits or any other properties situated in Labuan shall be exempted from income tax. However, a Labuan entity carrying on a Labuan business activity that fails to meet the requirements prescribed under subsidiary regulations made under LBATA for a year of assessment shall be taxed at the rate of 24.0% on its chargeable profits for that year of assessment.

Net profits derived from royalty and the exploitation of an intellectual property right shall be subject to tax under the ITA 1967 at the tax rate of 24.0% on the chargeable income.

In the case where a Labuan entity carries on both trading and non-trading activity, it shall be deemed to be carrying on a Labuan trading activity and shall be taxed accordingly.

Labuan Individual Tax

Individual Malaysian residents in Labuan will remain subject to the normal tax rates under the ITA 1967.

Stamp Duty

Instruments executed in connection with a Labuan business activity by a Labuan entity will not be subject to stamp duty.

Withholding Tax

Royalties, interest, technical or management fees paid by a Labuan company to a non-resident person or another Labuan company is not subject to withholding tax.

Dividends

Dividends received by or received from a Labuan company will not be subject to Malaysian income tax.

Malaysian (excluding Labuan) Taxation

The following paragraphs describe the material Malaysian tax regimes on dividend and capital gains from sale:

Dividend Distributions

Under Malaysian law, income tax is payable on income accruing or derived from Malaysia or received in Malaysia. Dividends paid, credited or distributed by a company which is tax resident in Malaysia ("**Malaysian resident company**") shall be deemed to be derived from Malaysia and hence are taxable in Malaysia.

A company is tax resident in Malaysia if the control and management of its business is exercised in Malaysia at any time during a year of assessment.

A Malaysian resident company is not entitled to deduct tax from dividends paid or credited to its shareholders in the basis period for the relevant year of assessment.

Subject to certain exceptions, the tax rate for year of assessment 2022 is 24.0%.

Dividends paid by a Malaysia resident company from its tax-exempt income are tax-exempt in the hands of its shareholders.

The income of any person, other than a Malaysian resident company carrying on the business of banking, insurance, sea or air transport, for the basis year for a year of assessment derived from sources outside Malaysia and received in Malaysia, is tax-exempt under the ITA 1967.

Gains on Disposal of Shares in a Malaysian company

There is no capital gains tax in Malaysia except for real property gains tax ("**RPGT**") which is charged upon gains arising from the disposal of real property in Malaysia or shares in a real property company incorporated in Malaysia. As such, any gains from the subsequent sale of the shares in a Malaysian company not being a real property company would not be subject to RPGT in Malaysia. However, any gains from the subsequent sales of shares in a Malaysian company by a person who deals in shares may be regarded as income and is subject to income tax under the ITA 1967.

Single Tier System

Malaysia adopts the single-tier tax system under which corporate income is taxed at the corporate level as a final tax. Dividends distributed to the shareholders are tax-exempted in their hands.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements contained in this Circular, statements made in press releases and oral statements that may be made by the Company, the Target Company, the Target Thai Company, the Target Group, the Enlarged Group, their directors, executive officers or employees acting on their behalf, that are not statements of historical fact, constitute "forward-looking statements". Some of these statements can be identified by words that have a bias towards, or are, forward looking such as "anticipate", "believe", "could", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "possible", "probable", "project", "should", "will" and "would" or similar words. However, Shareholders should note that these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Company's, the Target Company's, the Target Thai Company's, the Target Group's and the Enlarged Group's expected financial position, business strategies, plans and prospects are forward looking statements.

These forward-looking statements, including but not limited to, statements as to revenue and profitability; any expected growth; any expected industry prospects and trends; planned strategy and future expansion plans; any other matters that are not historical facts; and any other matters discussed in this Circular, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Company's, the Target Company's, the Target Thai Company's, the Target Group's, and the Enlarged Group's actual future results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements. These risk factors and uncertainties are discussed in more detail in this Circular, in particular, but not limited to, discussions in the section titled "*Risk Factors*" of this Circular.

Given the risks and uncertainties that may cause the Company's, the Target Company's, the Target Thai Company's, the Target Group's and the Enlarged Group's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Circular, undue reliance must not be placed on these statements.

The Company, the Target Company, the Target Thai Company, the Target Group, the Enlarged Group, their respective directors and executive officers and the Financial Adviser are not representing or warranting to you that the actual future results, performance or achievements of the Company, the Target Company, the Target Thai Company, the Target Group and the Enlarged Group will be as those discussed in those statements. The respective actual future results may differ materially from those anticipated in these forward-looking statements as a result of the risks faced. Further, the Company, the Target Company, the Target Thai Company, the Target Group, the Enlarged Group and the Financial Adviser disclaim any responsibility for updating any of those forward-looking statements or publicly announcing any revisions to those forward-looking statements to reflect their future developments, events or circumstances.

Upon Completion, the Enlarged Group will be subject to the Catalist Rules regarding corporate disclosure.

This Circular contains data, information, financial analysis, forecasts, figures and statements (including market and industry data and forecasts that have been obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications) which are forward-looking and based on certain assumptions and projections. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such information. Neither the Company, the Sponsor nor person(s) acting on their behalf have conducted an independent review or verified the accuracy or veracity of such data, information, financial analysis, forecast, figures and statements, assumptions and projections (the "**Third Party Data**"). No representation is made by the Company, the Sponsor or any person(s) acting on their behalf in respect of any of the Third Party Data or any information in this Circular that has been extracted from published or otherwise publicly available sources or obtained from a named source. The sole responsibility of the Directors, the Sponsor or any person(s) acting on their behalf has been to ensure that such Third Party Data or information has been accurately and correctly extracted from these sources and/or reproduced in this Circular in its proper form and context. No representation is made by the Company, the Sponsor or any person(s) acting on their behalf and neither the Company, the Sponsor or any person(s) acting on their behalf take any responsibility for any of such Third Party Data or information.

TAKEOVER LIMITS

The Code regulates the acquisition of ordinary shares of, amongst others, corporations with a listing on the SGX-ST, including the Company. Except with the consent of the SIC, where:

(a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by parties acting in concert with him) carry 30.0% or more of the voting rights of the company; or

(b) any person who, together with parties acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any party acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights,

such person must extend a mandatory general offer immediately to the shareholders for the remaining shares in the company in accordance with the provisions of the Code. In addition to such person, each of the principal members of the group of persons acting in concert with him may, according to the circumstances of the case, have the obligation to extend an offer.

In general, the acquisition of instruments convertible into securities which carry voting rights does not give rise to an obligation to make a mandatory general offer under the Code but the exercise of any conversion rights will be considered an acquisition of voting rights for the purposes of the Code.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory general offer under the Code as a result of the Proposed Transactions should consult the SIC and/or their professional advisers.

INDICATIVE TIMETABLE

The following indicative timetable assumes that approval for all the resolutions proposed at the EGM is obtained.

Last date and time for submission of questions to be asked during the EGM	15 January 2024
Last date and time for submission of Proxy Form	19 January 2024, 10.30 a.m.
Date and time of EGM	22 January 2024, 10.30 a.m.
Expected completion of the Proposed Acquisition	31 January 2024
Expected date and time of the resumption of trading of the Shares	31 March 2024, 9.00 a.m.

Save for the date of the EGM, the dates set out in the above timetable are indicative and may be subject to change. The Company will make further announcements on the exact dates of such events.

The Target Company's financial statements are prepared in USD. The table below sets out the highest and lowest exchange rates between USD and SGD in each of the preceding six (6) months and for the period from 1 July 2023 to the Latest Practicable Date. The table indicates how much SGD may be bought with USD1.00 in each such period.

	USD : SGD1.00	
	Highest[1]	**Lowest[1]**
June 2023	1.3573	1.3352
July 2023	1.3559	1.3172
August 2023	1.3625	1.3289
September 2023	1.3740	1.3472
October 2023	1.3764	1.3604
November 2023	1.3722	1.3284

The exchange rate between USD and SGD as at the Latest Practicable Date is USD1.00 to SGD1.3274.

The table below sets out, for each of the financial years and period included, the average and closing exchange rates between USD and SGD. Where applicable, the exchange rates in this table are used for the translation of the Target Company's financial statements disclosed elsewhere in this Circular.

	USD : SGD1.00	
	Average[1]	**Closing[1]**
FY2020	1.3793	1.3221
FY2021	1.3439	1.3490
FY2022	1.3788	1.3395
1H2023	1.3364	1.3554

Note:

(1) The above exchange rates have been quoted or calculated with reference to exchange rates quoted from Bloomberg L.P. Bloomberg L.P. has not provided its consent, for the purposes of Section 249 of the SFA, to the inclusion of the information extracted from the relevant reports and is therefore not liable for such information under Sections 253 and 254 of the SFA. While we have taken reasonable actions to ensure that the information is extracted accurately and fairly from such reports, and has been included in this Circular in its proper form and context, neither we nor any party has conducted an independent review of the information contained in such reports nor verified the accuracy of the contents of the relevant information.

The above exchange rates should not be construed as representations that the USD amounts actually represent such SGD amounts or could be converted into SGD, at the rates indicated, at any other rate or at all.

AXINGTON INC.

Board of Directors:

Mr Roberto Dona (*Non-Executive Chairman and Independent Director*)
Mr Ang Chiang Meng (*Executive Director*)
Mr Teo Choon Kow @ William Teo (*Independent Non-Executive Director*)
Mr Luke Anthony Furler (*Independent Non-Executive Director*)

Registered Office:

Lot A020, Level 1, Podium Level,
Financial Park, Jalan Merdeka,
87000 Federal Territory of Labuan,
Malaysia

27 December 2023

To: The Shareholders of Axington Inc.

Dear Sir/Madam

CIRCULAR TO SHAREHOLDERS IN RELATION TO:

(1) THE PROPOSED ACQUISITION OF THE ENTIRE SHAREHOLDING INTEREST IN ACHIEVA TECHNOLOGY SDN. BHD. AND A 49.0% SHAREHOLDING INTEREST IN ACHIEVA DIGITAL (THAILAND) COMPANY LIMITED FOR AN AGGREGATE CONSIDERATION OF S$27,000,000, BEING A REVERSE TAKEOVER;

(2) THE PROPOSED ALLOTMENT AND ISSUANCE OF UP TO 114,406,780 CONSIDERATION SHARES TO SERIAL SYSTEM FOR THE PROPOSED ACQUISITION AT THE ISSUE PRICE OF S$0.236 FOR EACH CONSIDERATION SHARE;

(3) THE PROPOSED WHITEWASH RESOLUTION FOR THE WAIVER BY INDEPENDENT SHAREHOLDERS OF THEIR RIGHT TO RECEIVE A MANDATORY TAKEOVER OFFER FROM SERIAL SYSTEM;

(4) THE PROPOSED ALLOTMENT AND ISSUANCE OF UP TO 2,118,644 INTRODUCER SHARES AT THE ISSUE PRICE OF S$0.236 FOR EACH INTRODUCER SHARE;

(5) THE PROPOSED COMPLIANCE PLACEMENT OF UP TO 22,500,000 PLACEMENT SHARES;

(6) THE PROPOSED SHARE CONSOLIDATION;

(7) THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS TO THE COMPANY;

(8) THE PROPOSED NEW SHARE ISSUE MANDATE;

(9) THE PROPOSED CHANGE OF INDEPENDENT AUDITOR;

(10) THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM "AXINGTON INC." TO "SERIAL ACHIEVA LIMITED";

(11) THE PROPOSED ADOPTION OF THE NEW MEMORANDUM AND ARTICLES OF THE COMPANY;

(12) THE PROPOSED ADOPTION OF A GENERAL MANDATE FOR CERTAIN INTERESTED PERSON TRANSACTIONS;

(13) THE PROPOSED ADOPTION OF THE SERIAL ACHIEVA EMPLOYEE SHARE OPTION SCHEME;

(14) THE PROPOSED ADOPTION OF THE SERIAL ACHIEVA PERFORMANCE SHARE PLAN; AND

(15) THE PROPOSED ALLOTMENT AND ISSUANCE OF 17,410,169 INTERCO SHARES COMPRISING 5,803,390 INTERCO LOAN SHARES AND 11,606,779 INTERCO BALANCE SHARES AT THE ISSUE PRICE OF S$0.236 FOR EACH INTERCO SHARE,

(COLLECTIVELY, THE "PROPOSED TRANSACTIONS").

1. INTRODUCTION

1.1 Overview

The Company had announced on 6 April 2021 that it no longer has any revenue generating business and had notified SGX-ST on 1 April 2021 of its cash company status pursuant to Rule 1017 of the Catalist Rules.

Pursuant to Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove the Company from the Official List if it is unable to meet the requirements for a new listing within twelve (12) months from the time it becomes a cash company. The Company may (through its sponsor) apply to the SGX-ST for a maximum six (6) month extension to the twelve (12) month period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the six (6) month extension period. The extension is subject to the Company providing information to investors on its progress in meeting key milestones in the transaction. In the event the Company is unable to meet its milestones, or complete the relevant acquisition despite the extension granted, no further extension will be granted and the Company will be removed from the Official List and a cash exit offer in accordance with Rule 1308 of the Catalist Rules should be made to its shareholders within six (6) months.

The Board also wishes to highlight that pursuant to Rule 1304 of the Catalist Rules, if the trading of the shares of the Company is suspended under Rule 1303(3) of the Catalist Rules, the Company must:

(1) submit a proposal (or proposals) through its sponsor to the SGX-ST with a view to resuming trading in the Company's securities ("**resumption proposals**") within twelve (12) months of the date of suspension. If no resumption proposals are received to enable trading to resume within twelve (12) months of the date of suspension, the SGX-ST may remove the issuer from the Official List; and

(2) implement the resumption proposals within six (6) months from the date the SGX-ST indicates that it has no objection to the resumption proposals. If the resumption proposals have not been implemented within the six (6) months, the SGX-ST may remove the Company from the Official List.

The Company has since struck off and/or effected the disposal of certain of its dormant subsidiaries (as set out in section 1.2 below) and explored opportunities for business opportunities to resume trading on the Catalist Board.

On 2 September 2022, the Company had entered into the SPA with the Vendor. The Proposed Acquisition constitutes a reverse takeover as set out under Rule 1015 of the Catalist Rules as the relative figures under Rule 1006 exceed 100% and on Completion will result in a change in control of the Company. As set out in the subsequent sections of this Circular, the Company will be seeking the approval of Shareholders for, among other things, the Proposed Acquisition and the Proposed Issuance of the Consideration Shares at the EGM.

1.2 Striking-off or disposal of the subsidiaries of the Company

As at the Latest Practicable Date, the Company has effected a striking-off or disposed of all its subsidiaries as below, all of which were dormant with no business operations:

(a) Audex Governance Sdn. Bhd. was struck off from the corporate registry in Malaysia with effect from 31 December 2022; and

(b) Axington Singapore Pte. Ltd. was struck off from ACRA's register with effect from 3 May 2023.

In addition, as announced by the Company on 14 April 2023, the Company has entered into a sale and purchase agreement for the disposal of USD210,000 of capital contribution in Axington Vietnam Limited and 124,999 ordinary shares in Axington Lao Co., Ltd. to Marcus Nicola Paciocco, an unrelated third party, for an aggregate consideration of S$1.00. The consideration was arrived at on an arm's length willing-buyer willing-seller basis, after taking into consideration various factors such as the net liabilities position of the companies and their status as dormant companies.

On 1 June 2023, the Company announced that it had completed the disposal of 124,999 ordinary shares in Axington Lao Co., Ltd.

By way of a side letter dated 27 December 2023, the Company and Marcus Nicola Paciocco have agreed to procure the completion of the disposal of the USD210,000 capital contribution in Axington Vietnam Limited no later than 31 March 2024, or such other date as may be determined by the Company prior to Completion.

1.3 Purpose of Circular

The purpose of this Circular is to provide Shareholders with the relevant information relating to the Proposed Transactions for which the approval of Shareholders will be sought at the EGM. Shareholders' approval for the Proposed Acquisition shall be sought by way of ordinary resolutions, except for the Proposed Change of Name and the Proposed Adoption of the New Memorandum and Articles for which approval shall be sought by way of special resolutions.

The Notice of EGM is set out in the section titled "*Notice of Extraordinary General Meeting*" of this Circular.

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than the Shareholders to whom this Circular is despatched to) or for any other purpose.

1.4 Conditionality of Resolutions

Shareholders are advised that the following key resolutions in this Circular are inter-conditional (the "**Key Resolutions**"):

- Ordinary Resolution 1 on the Proposed Acquisition;
- Ordinary Resolution 2 on the Proposed Issuance of the Consideration Shares;
- Ordinary Resolution 3 on the Proposed Whitewash Resolution;
- Ordinary Resolution 6 on the Proposed Share Consolidation;
- Ordinary Resolution 8 on the Proposed IPT Mandate; and
- Special Resolution 1 on the Proposed Change of Name.

This means that if any of the Key Resolutions are not approved, none of the Key Resolutions will be duly passed. The Key Resolutions are inter-conditional as the subject matter of the Key Resolutions will facilitate the conduct of business of the Enlarged Group upon Completion.

Shareholders should also note that save for Special Resolution 2 on the Proposed Adoption of the New Memorandum and Articles, the following resolutions are conditional upon the passing of the Key Resolutions:

- Ordinary Resolution 4 on the Proposed Issuance of Introducer Shares;
- Ordinary Resolution 5 on the Proposed Compliance Placement;
- Ordinary Resolution 7 relating to the proposed appointment of Mr Kenny Sim as the Proposed New Executive Director;
- Ordinary Resolution 9 relating to the proposed appointment of Mr Sean Goh as a Proposed New Director;
- Ordinary Resolution 10 relating to the proposed appointment of Ms Victoria Goh as a Proposed New Director;
- Ordinary Resolution 11 relating to the proposed appointment of Mr Tan Thiam Hee as a Proposed New Director;
- Ordinary Resolution 12 relating to the proposed appointment of Mr Kenny Yap Kim Lee as a Proposed New Director;
- Ordinary Resolution 13 relating to the proposed appointment of Mr Solomon Tan as a Proposed New Director;
- Ordinary Resolution 14 relating to the proposed appointment of Mr Jason Su as a Proposed New Director;
- Ordinary Resolution 15 on the Proposed New Share Issue Mandate;
- Ordinary Resolution 16 on the Proposed Change of Independent Auditor;
- Ordinary Resolutions 17 and 18 relating to the Proposed Adoption of the Serial Achieva Employee Share Option Scheme;
- Ordinary Resolution 19 on the Proposed Adoption of the Serial Achieva Performance Share Plan; and
- Ordinary Resolution 20 on the Proposed Issuance of the Interco Shares.

2. THE PROPOSED ACQUISITION AND PROPOSED ISSUANCE OF THE CONSIDERATION SHARES

2.1 Overview

As announced on 2 September 2022, the Company had entered into a SPA with the Vendor for the Proposed Acquisition.

On 3 April 2023, the Company further announced that it had entered into the First Amendment Letter with the Vendor. The First Amendment Letter was entered into to facilitate the resolution of any potential conflicts of interest between the Company and Serial System and the Vendor's application for the Whitewash Waiver, amongst others. In addition, the First Amendment Letter clarified the manner in which Serial System will transfer its Thai IT Consumer Business to the Company in order to resolve the conflict-of-interest situation at Completion, namely that the Vendor (instead of the Target Company in the manner as previously set out in the Announcement) will, on Completion, transfer the Target Thai Company Sale Shares to the Company. Accordingly, and for avoidance of doubt, the subject of the Proposed Acquisition shall be for (a) 100.0% shareholding interest in the Target Company, being the Target Company Sale Shares; and (b) 49.0% shareholding interest in the Target Thai Company, being the Target Thai Company Sale Shares. On 17 November 2023, the Company further announced that it had entered into the Second Amendment Letter to amend the existing definition of "Long Stop Date" in the SPA to mean 31 March 2024, or such other date as the parties to the SPA may agree.

The Proposed Acquisition constitutes a reverse takeover as set out under Rule 1015 of the Catalist Rules as the relative figures under Rules 1006(c) and 1006(d) of the Catalist Rules exceed 100.0% and on Completion will result in a change in control of the Company. The Company will be seeking the approval of Shareholders for, among other things, the Proposed Acquisition and the Proposed Issuance of the Consideration Shares at the EGM.

2.2 Rationale for and benefits of the Proposed Acquisition

The Company no longer has any revenue generating business and had notified SGX-ST on 1 April 2021 of its cash company status pursuant to Rule 1017 of the Catalist Rules. Pursuant to Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove the Company from the Official List if it is unable to meet the requirements for a new listing within twelve (12) months from the time it becomes a cash company.

On 31 March 2022, the Company announced that SGX RegCo had no objection to the Company's application for an extension of time. Pursuant to such application, the Company must sign a definitive sale and purchase agreement and submit a reverse takeover application to SGX RegCo by 30 September 2022.

On 2 December 2022 the Company announced that SGX RegCo had no objection to the Company's application for a further extension of time up to 30 September 2023 to complete the RTO and hence meet the requirements of Catalist Rules 1017(2) and 1304. The SGX RegCo will not grant any further extension if the Company's application for the RTO is not submitted to the SGX RegCo's IPO Admissions Unit by 31 May 2023.

The Proposed Acquisition comes as an opportunity for the Company to acquire a new business, thus meeting the requirements under Rule 1017 of the Catalist Rules and thereby enhancing value for Shareholders.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the Company will have a 49.0% shareholding interest in the Target Thai Company, and the business of the Company will be that of the Target Group.

The Proposed Acquisition will position the Company to meet the requirements under Rule 1017 of the Catalist Rules and enable Shareholders to participate in business areas that have potential for significant growth. The Board also believes that the Proposed Acquisition will have the potential to increase the market capitalisation and widen the investor base of the Company, thereby enabling the Company to attract more extensive analyst coverage and increase investors' interest in the Company's securities.

2.3 Information on the Target Group and the Enlarged Group

The Target Company

The Target Company, incorporated in Malaysia on 8 June 1996, is a private company limited by shares and is in the business of distributing information technology computer peripherals, parts, software and related products in Malaysia. As at the date of this letter, the Target Company is an indirect wholly-owned subsidiary of Serial System, and will, upon completion of the Proposed Acquisition, be wholly-owned by the Company. Further information on the Target Company and its business can be found in the Target Group's Letter to Shareholders.

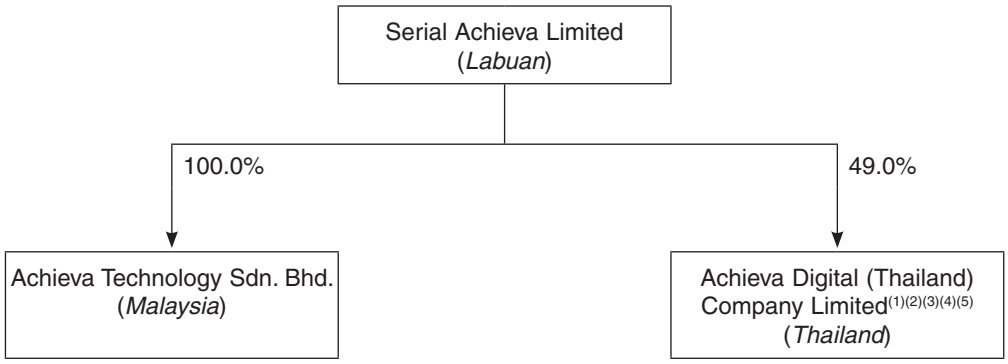
The Target Thai Company

The Target Thai Company, incorporated in Thailand on 22 May 2023, is a private company limited by shares and as at the date of this Circular, is a dormant company. Under the terms of the SPA, the Vendor will procure the transfer of the Thai IT Consumer Business from the Existing Thai Company to the Target Thai Company prior to Completion. The transfer of the Thai IT Consumer Business from the Existing Thai Company to the Target Thai Company would not involve a transfer of any assets or liabilities. Upon Completion, the Company will acquire a 49.0% shareholding interest in the Target Thai Company. Further information on the Thai IT Consumer Business can be found in the Target Group's Letter to Shareholders.

The Enlarged Group

After Completion, the business of the Enlarged Group will comprise wholly of the business of the Target Company and the Target Thai Company.

After Completion, the group structure of the Enlarged Group will be as follows:



Notes:

(1) Achieva Digital (Thailand) Company Limited, being the Target Thai Company, is owned as to 49.0% by the Company and 51.0% by Mr Natthawat, who is unrelated to the Company, its subsidiaries, its Directors or Substantial Shareholders, the Target Group, or the Target Group's Directors. Mr Natthawat is a Thai national and is presently in charge of the day-to-day operations of the Existing Thai Company and, upon Completion, will be an employee of the Target Thai Company. By virtue of his contributions to the Existing Thai Company and, in view of Mr Natthawat's future contributions to the Target Thai Company, Mr Natthawat will, as joint venture partner, hold 51.0% of the shares in the Target Thai Company. In addition, as the Target Thai Company is majority-owned by a Thai national, the Target Thai Company would not be required to obtain a foreign business license from the Ministry of Commerce to operate its business in Thailand.

(2) The legal advisers in respect of the Proposed Acquisition as to Thai laws have confirmed that the shareholding structure of the Target Thai Company is in compliance with Thai laws and is not contrary to applicable laws and regulations regarding foreign ownership restrictions, on the assumption that, among others, the investment by Mr Natthawat in the Target Thai Company is genuine and Mr Natthawat does not hold shares for or on behalf of any non-Thai person. Mr Natthawat has further confirmed that his investment in the Target Thai Company is genuine and he does not hold shares in the Target Thai Company on behalf of any non-Thai person.

(3) Dividends declared by the Target Thai Company will be declared in the proportion of its shareholding structure.

(4) The Target Thai Company is a subsidiary of the Company. Pursuant to section 5 of the Companies Act, a corporation is deemed to be a subsidiary of another corporation if, among others, the other corporation controls the composition of the board of directors of the first mentioned corporation, and the composition of a corporation's board of directors shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can appoint or remove all or a majority of the directors. Under the terms of the Target Thai Company SHA, the Company has the power to appoint a majority of the directors of the Target Thai Company.

(5) The Target Company will be considered a principal subsidiary of the Enlarged Group for purposes of the Catalist Rules.

As at the Latest Practicable Date, details of the Enlarged Group are as follows:

Name of entity	Date and country of incorporation	Principal activities and place of business	Issued and paid-up share capital	Effective ownership	Directors of subsidiary	Auditor
Target Company	8 June 1996, Malaysia	Distributor of IT products and computer peripherals / Malaysia	RM 20,356,157	100.0%	Mr Kenny Sim, Mr Jason Soh and Ms Ellen Yap	Moore Stephens Associates PLT, a member firm of Moore Global Network Limited
Target Thai Company	22 May 2023, Thailand	Distributor of IT products and computer peripherals / Thailand	THB 1,000,000	49.0%	Mr Kenny Sim, Mr Jason Soh and Mr Natthawat	Pitisevi Co., Ltd, a member firm of Moore Global Network Limited

2.4 Information on the Vendor

The Vendor is an investment holding company incorporated in Singapore on 16 November 1984. Its principal activities involve (i) investment holding; and (ii) trading and distribution of consumer products, information technology and photographic products.

The Vendor is a wholly-owned subsidiary of the Serial System Group, whose shares are listed on the Mainboard of the SGX-ST. The Vendor is the legal and beneficial owner of all the issued share capital of the Target Company and a 49.0% shareholding interest in the Target Thai Company.

2.5 Principal Terms of the Sale and Purchase Agreement

2.5.1 Sale Shares

Pursuant to the SPA, the Vendor has agreed to sell to the Company and the Company has agreed to purchase from the Vendor the Sale Shares on the terms and conditions contained in the SPA, free from all and any encumbrances together with all rights, dividends, entitlements and benefits attaching thereto as at Completion.

2.5.2 Purchase Consideration

The Purchase Consideration payable by the Company to the Vendor for the Sale Shares shall be S$27,000,000.

2.5.3 Bases and Rationale for the Purchase Consideration and Issue Price

Purchase Consideration

The Purchase Consideration was agreed on after arm's length negotiations between the Company and the Vendor, based on a willing-buyer willing-seller basis, after taking into account, *inter alia*, the historical performance for FY2020 and FY2021 and business prospects of the Target Group and prevailing market conditions.

Issue Price

The Issue Price, which was derived following negotiations between the Company and the Vendor, took into consideration, *inter alia*, (a) the minimum issue price requirement pursuant to Rule 1015(3)(c) of the Catalist Rules, where in relation to a reverse takeover, the issue price of each share after adjusting for any share consolidation must not be lower than S$0.20.

2.5.4 Consideration Shares

The Purchase Consideration shall be fully satisfied by the issuance and allotment to Serial System (being the nominee of the Vendor) of 114,406,780 new Consolidated Shares (collectively, the "**Consideration Shares**", and each share a "**Consideration Share**"), at an issue price of S$0.236 per Consideration Share (the "**Issue Price**") as determined below.

The number of Consideration Shares shall be computed at the Completion Date based on the following formula:

$$\text{Number of Consideration Shares} = \frac{\text{Purchase Consideration}}{\text{Issue Price}}$$

where the Issue Price shall be determined based on the following formula:

$$\text{Issue Price} = \frac{\text{Purchaser Ascribed Value}}{\text{Total Number of Shares}}$$

where:

(a) the "Purchaser Ascribed Value" means S$5,500,000; and

(b) the "Total Number of Shares" means the total number of Shares in issue immediately preceding the Completion Date, subject to adjustment in the event of a share consolidation.

The Purchaser Ascribed Value was arrived at after arm's length negotiations between the Company and the Vendor.

The Consideration Shares shall be credited as fully paid and free from all encumbrances and ranking *pari passu* in all respects with the Shares existing as at the Completion Date, including the right to receive in full all dividends and other distributions declared, paid or made as from the Completion Date.

In addition, a fee of S$500,000 will be payable by the Company to Mr Kho Wee Hong George (the "**Introducer**") on Completion, and such payment shall be satisfied by an allotment and issuance of the new Shares at the Issue Price (the "**Introducer Shares**"). Please refer to section 4 of this Circular for more information on the Introducer.

2.5.5 Independent Valuation

Pursuant to Rule 1015(3)(a) of the Catalist Rules, the Company has commissioned AVA Associates Limited (the "**Independent Business Valuer**") to undertake an independent business valuation to determine the market value of the Sale Shares as at 30 June 2023 (the "**Independent Valuation**").

The Independent Business Valuer is based in Hong Kong and Singapore and has been providing independent valuation services to clients in Asia since 2008. The Independent Business Valuer provides transaction-based advisory services, primarily focusing on independent valuation services to assist their clients to comply with internal and external requirements and has a team made up of qualified professionals in their respective fields, has the expertise covering various classifications of tangible and intangible assets, focusing on four (4) key competencies of business valuation, financial instrument valuation, intellectual property valuation and fixed asset valuation.

The Independent Business Valuer is currently involved in various types of valuation projects, relating to business interests, intangible assets and tangible assets, for listed and private companies in Singapore. Its work has been used and relied on, by various professional parties, for purposes such as acquisition, disposal, financial reporting and internal reference.

Based on the Business Valuation Report addressed to both the Company and Serial System, the market value of the Sale Shares ascribed by the Independent Valuation is S$27,200,000 as at 30 June 2023. As per the Business Valuation Report, the Independent Business Valuer had estimated the market value of the Sale Shares on the premise of a going concern, where the business of the Target Company and the Target Thai Company will continue running normally using its respective assets to produce income, and in its current state as private entities. The market value of the Target Company and the Target Thai Company have been estimated individually by applying the income approach which is primarily based on a discounted cash flow analysis of each set of financial projections. The basis for selecting the income approach was due to the availability of relevant data, specifically the historical operating records, development plans and financial projections provided by Serial System, while the market approach was not deemed appropriate due to the lack of comparable market transactions and prices. The cost approach was also deemed inappropriate, as some of the significant assets of the ongoing business of the business are the distribution agreements, customer and supplier network, and assembled workforce, which would not be properly reflected using a cost approach methodology.

Please refer to Appendix F to this Circular titled "*Business Valuation Report*" for the summary report of the Business Valuation Report. The full text of the Business Valuation Report will be made available for inspection at the principal place of business of the Company during normal business hours for a period of six (6) months from the date of this Circular.

2.5.6 Conditions Precedent to the Proposed Acquisition

Completion of the Proposed Acquisition shall be conditional upon, amongst others, the following conditions being satisfied or waived on or before Completion (the "**Conditions Precedent**" or each, a "**Condition Precedent**"):

(a) procurement by the Company of the extension of the deadline beyond 30 September 2022 as imposed by the SGX-ST on the Company for the signing of a sale and purchase agreement and submission of a reverse takeover application, failing which the SPA shall automatically lapse;

(b) the procurement and delivery by the Company of an irrevocable undertaking to the Vendor by 30 September 2022 (in such form and substance reasonably satisfactory to the Vendor) signed and delivered by the Joint Receivers, being the joint and several receivers appointed by DBS of the 148,335,700 Shares held by Dorr Global Healthcare International Pte Ltd that is the subject of a share charge dated 2 June 2020 between Dorr and DBS (the "**Charged Shares**"). The Joint Receivers' irrevocable undertakings shall state that the Joint Receivers will vote in favour of all the resolutions at the EGM and not to sell or otherwise dispose of the Charged Shares until the conclusion of the EGM;

(c) appointment of a Catalist Sponsor (which means RHT Capital Pte. Ltd. or such other firm as agreed upon by the Company and the Vendor to be appointed as the Catalist Sponsor prior to Completion) as approved by the Vendor;

(d) the Company being reasonably satisfied with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the Company and/or its advisers on the Target Group, including without limitation, the title to and the status and condition of any properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations (including management meetings and site visits), records, financial position, accounts, results, tax, legal and corporate structure, and any other information disclosed to the Company;

(e) the Vendor being reasonably satisfied with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the Vendor and/or its advisers on the Company and subsidiaries of the Company which are dormant as at the date of the SPA, to the extent a Company subsidiary remains a subsidiary of the Company, including without limitation, the title to and the status and condition of any properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations (including management meetings and site visits), records, financial position, accounts, results, tax, legal and corporate structure, and any other information disclosed to the Vendor, including the satisfactory settlement of the independent review on the Company which had been carried out of the nature and circumstances relating to the unpaid placement shares and the Company's announcement dated 18 August 2020 and the cancellation of shares by the Company;

(f) the Enlarged Group shall have (i) positive net asset value or (ii) negative net asset value of no more than S$250,000 on Completion;

(g) (if applicable) the rectification by the Vendor, or the procurement by the Vendor of such rectification to the reasonable satisfaction of the Company of all material issues or irregularities uncovered in the due diligence exercise of the Company which has an adverse impact of more than 10.0% to the aggregate net asset value, aggregate revenue or total net profit of the Target Group based on the audited financial statements for the financial year ended 31 December 2021;

(h) the Company having obtained at its own cost and expense the Independent Valuation and the valuation as ascribed by the Independent Valuation not being less than the Purchase Consideration;

(i) the SIC having granted the Vendor and its concert parties (and not having revoked or repealed such grant) a waiver of their obligation to make a mandatory offer under Rule 14 of the Code for the Shares not owned or controlled by the Vendor and its concert parties and from having to comply with the requirements of Rule 14 of the Code, subject to (i) any conditions or restrictions that the SIC may impose, Provided That such conditions or restrictions are reasonably acceptable to the Vendor and its concert parties; and (ii) the Independent Shareholders approving at a general meeting of the Company the proposed ordinary resolution of the Company which if passed by the Independent Shareholders would result in a waiver by the Independent Shareholders of their right to receive a mandatory general offer from the Vendor and parties acting in concert with the Vendor in connection with the issue of the Consideration Shares under the Proposed Acquisition (the "**Whitewash Resolution**");

(j) the approval of SGX-ST and/or any other relevant authorities being obtained by the Company and Serial System, if necessary, for the Proposed Acquisition upon the terms of the SPA and where such approval is obtained subject to any conditions or restrictions, such conditions or restrictions being reasonably acceptable to the parties to the SPA and if required by the SGX-ST and/or any other relevant authorities, such conditions being fulfilled or satisfied on or before Completion, and such approval remaining in full force and effect;

(k) approval in-principle[1] being obtained from the SGX-ST for the Circular to be dispatched to the shareholders of the Company in connection with the EGM to be convened to approve, *inter alia*, the Proposed Acquisition, the issue and allotment of the Consideration Shares and the Whitewash Resolution and the compliance by the Company of all the conditions or restrictions which may be imposed by the SGX-ST in connection thereto;

1 To clarify, this disclosure is per the terms of the SPA. In practice, the SGX-ST does not issue in-principle approvals for circulars and the Company will clear the Circular with SGX-ST prior to the despatch of the Circular to the Shareholders in connection with the EGM.

(l) approval-in-principle being received from the SGX-ST for the dealing in and quotation for the Consideration Shares and the Introducer Shares (and, if necessary, for the Shares to be allotted and issued in connection with the Proposed Compliance Placement) on the Catalist Board, such approval not being revoked, rescinded or cancelled prior to Completion and, where such listing and quotation notice is obtained subject to any conditions or restrictions, such conditions or restrictions being reasonably acceptable to the parties to the SPA;

(m) the Company receiving the following approvals from its shareholders at an EGM to be convened, for:

(1) the Proposed Acquisition;

(2) the allotment and issue of the Consideration Shares to the Vendor (or to such nominee as the Vendor may direct) and the Introducer Shares;

(3) the Whitewash Resolution;

(4) the Proposed Share Consolidation;

(5) the change of name of the Company to a name which does not include the words "Axington Inc." or any derivative thereof;

(6) proposed appointment of new directors who are nominated by the Vendor;

(7) all such other approvals required from the Company's shareholders pursuant to applicable laws and regulations; and

(8) in connection with the SPA and the transactions contemplated therein as may be necessary or agreed between the parties in writing;

(n) the Target Company and Serial System obtaining such approval(s) from their board of directors and their shareholders, if necessary, in connection with the SPA and the transactions contemplated herein as may be necessary, including for the acquisition of the Sale Shares by the Company;

(o) the Vendor and Company not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened and no governmental authority or court of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, decree, executive order or award having the effect of making the Proposed Acquisition illegal or otherwise prohibiting consummation thereof on or prior to the Completion;

(p) there is no material breach by any Party of the representations, warranties, covenants and indemnities contained in the SPA;

(q) there has been no material adverse change, or events, acts or omissions likely to lead to such a material adverse change, in the business, assets, prospects, financial position or results of operations of the Target Group and the Enlarged Group;

(r) if required pursuant to applicable laws, regulations or Catalist Rules, the completion of a financial audit on the Target Company conducted by a public accounting firm reasonably accepted to the Company;

(s) the Shares remaining listed on the Catalist Board and the Company obtaining the in-principle approval of the SGX-ST for the resumption of trading of the existing Shares of the Company on the Catalist Board prior to or upon Completion;

(t) the due incorporation of the Target Thai Company and the Target Thai Company having taken over the business carried out in Thailand to the reasonable satisfaction of the Company;

(u) the receipt by the Company of service agreements duly executed by the key management team of the Target Company who are currently or will be employed or engaged by the Target Company with the Company, providing for a minimum employment duration following the completion of the Proposed Acquisition covering at least three (3) financial years. The key management team shall include Mr Kenny Sim (to be appointed as the executive director of the Company pursuant to the EGM), Mr Jason Soh and Ms Ellen Yap;

(v) each of the warranties and undertakings given remaining true in all material respects and not misleading in any material respect at Completion, as if repeated at Completion;

(w) where the terms of any material contract to which any Target Group Company is subject contain any restriction or prohibition on the change in the shareholding and/or the boards of directors of any Target Group Company or include any right to terminate exercisable prior to or as a result of any matter contemplated by the SPA, written approval or consent or written confirmation of the waiver from third parties of such restrictions or prohibition in relation to any such change arising from the transactions under the SPA or of any such right to terminate having been obtained or fulfilled;

(x) all other necessary consents and approvals for the SPA and the transactions contemplated therein, if required and applicable, being granted and not withdrawn or revoked by third parties (including without limitation, the Sponsor, any government body, stock exchange and other relevant authority in any jurisdiction) and if such consents are obtained subject to any condition(s) and where such condition(s) affect any of the Parties, such condition(s) being acceptable to the Party concerned and, if such condition(s) are required to be fulfilled before Completion, such condition(s) being fulfilled before Completion;

(y) the Company having (i) completed the disposal of the whole of its shares or legal or beneficial interest in each of its subsidiaries; or (ii) commenced such steps as may be reasonably satisfactory to the Vendor to effect a winding-up (including a member's voluntary winding-up) or a striking off, of each of its subsidiaries; and

(z) the Target Company having completed its disposal of the whole of its shares or legal or beneficial interest in its wholly-owned subsidiary, Straitsmart Sdn. Bhd., on terms reasonably satisfactory to the Company.

2.5.7 Long-Stop Date

If any of the Conditions Precedent is not fulfilled or waived by the relevant party to the SPA by 31 March 2024 (the "**Long-Stop Date**") (or such other date and time as the parties to the SPA may agree in writing), the SPA shall, *ipso facto*, cease and determine and (save as provided in the SPA, or for any antecedent breach of the SPA) none of the parties to the SPA shall have any claim against any other party to the SPA for costs, damages, compensation or anything whatsoever.

As at the date of this Circular, the following Conditions Precedent in section 2.5.6 of this Circular remain outstanding: (f), (j), (m), (n), (o), (r), (s), (v) and (y) and the following have been fulfilled or satisfied: (a), (b), (c), (d), (e), (g), (h), (i), (k), (l), (p), (q), (t), (u), (w), (x) and (z).

The Company will make immediate announcement(s) on SGXNET of (a) any Conditions Precedent waived pursuant to the SPA (including the basis for such waiver); (b) the fulfilment of the Conditions Precedent under the SPA; and (c) the termination of the SPA.

2.5.8 Completion

Completion shall take place on the date falling seven (7) Business Days after the date of the fulfilment of all the Conditions Precedent provided in the SPA unless they are waived by the relevant party to the SPA in accordance with the provisions set out in the SPA (the "**Completion Date**").

2.6 Reverse Takeover Transaction

The relative figures of the Proposed Acquisition under Rule 1006 of the Catalist Rules based on the Group's latest announced unaudited consolidated financial statements for the six (6)-month financial period ended 30 June 2023 ("**1H2023**"), are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value ("**NAV**") of the assets to be disposed of, compared with the Company's NAV	Not applicable (1)
(b)	Net profits attributable to the assets acquired, compared with the Company's net profits	57.4% (2)
(c)	Aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	285.2% (3)
(d)	Number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	490.2% (4)
(e)	The aggregate volume or amount of proven and probable reserves to be acquired, compared with the aggregate of the Company's proven and probable reserves	Not applicable (5)

Notes:

(1) Rule 1006(a) of the Catalist Rules is not applicable as the Proposed Acquisition is not a disposal of assets.

(2) Under Rule 1002(3)(b) of the Catalist Rules, "net profits" means "profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests". The unaudited loss before tax of the Company for 1H2023 was S$1,005,000 (equivalent to USD743,123). The unaudited loss before tax of the Target Company for 1H2023 was approximately USD426,278.

(3) Based on the Purchase Consideration of S$27,000,000 and the Company's market capitalisation of S$9,466,212. The market capitalisation of the Company is derived by multiplying the total number of issued shares (excluding treasury shares and subsidiary holdings) of 186,710,300 Shares as at the Latest Practicable Date and the volume-weighted average traded price of the Shares of S$0.19 traded on the SGX-ST on 30 August 2020, (being the last traded market day immediately preceding the date of the SPA on which the Shares were traded) which amounts to S$35,474,957 and thereafter subtracting the aggregate cash distribution to shareholders of S$26,008,745 approved at the extraordinary general meeting held on 27 May 2022. Based on the latest audited consolidated financial statements of the Group for FY2022, the net asset value of the 186,710,300 Shares is S$1,601,000. Pursuant to Rule 1003(3), the value of the consideration shall be determined by reference to the market value of such shares which is higher than the net asset value represented by such shares.

(4) Based on 114,406,780 Consideration Shares and the Company's existing number of issued shares of 23,338,788 Shares (excluding treasury shares and subsidiary holdings) after the Proposed Share Consolidation, as at the Latest Practicable Date.

(5) The Company is not a mineral, oil and gas company.

The Proposed Acquisition constitutes a reverse takeover as set out under Rule 1015 of the Catalist Rules as the relative figures under Rules 1006(c) and 1006(d) of the Catalist Rules exceed 100% and on Completion will result in the change in control of the Company. As such, the Company is seeking the approval of Shareholders for, among other things, the Proposed Acquisition and the Proposed Issuance of the Consideration Shares at the EGM.

2.7 Risk Factors

Shareholders and prospective investors should carefully consider and evaluate each of the following risk factors and all of the other information set forth in this Circular. Before deciding to invest in the Shares, Shareholders and prospective investors should seek professional advice from the relevant advisers about their particular circumstances.

The following describes some of the significant risks known to the Target Group now that could directly or indirectly affect the Target Group and the value or trading price of the Shares. Some of the following considerations relate principally to the industry in which the Target Group operates and its business in general. Other considerations relate principally to general economic and political conditions. The risk factors stated below are not intended to be exhaustive and do not state risks unknown to the Target Group now but which could occur in the future, and risks which the Target Group currently believe to be immaterial, which could turn out to be material. Should these risks occur or turn out to be material, they could materially and adversely affect the Target Group's business operations, financial position and/or results of operations. New risk factors may emerge from time to time and it is not possible for the Proposed New Board to predict all risk factors, nor can the Company assess the impact of all factors or the extent to which any factor or combination of factors may affect the Target Group and the Proposed Acquisition.

Save as disclosed below, to the best of the Proposed New Board's knowledge and belief, all risk factors which could directly and/or indirectly affect the Target Group and are material to Shareholders in making an informed judgement of the Target Group have been set out below. If any of the following considerations, uncertainties or material risks develops into actual events, the Target Group's business operations, financial position and/or results of operations could be materially and adversely affected. In such cases, the trading price of the Shares could decline due to any of these considerations, uncertainties or material risks, and Shareholders may lose all or part of their investment in the Shares. Following Completion, the risk factors in relation to the Target Group will also be relevant to the Enlarged Group.

Shareholders should also note that certain of the statements set forth below constitute "forward-looking statements" that involve risks and uncertainties. For more information, please also refer to the section titled "*Cautionary Note on Forward-Looking Statements*" of this Circular.

Risks relating to the Target Group and its business

(a) The Target Group's business will be adversely affected if it is unable to provide a range of products that caters to market demand

As at the Latest Practicable Date, the Target Group operates as a local in-country reseller and distributor of IT products and computer peripherals in Malaysia and will, upon Completion, commence business in Thailand. The Target Group's industry is characterised by rapid changes in technology, the introduction of new products and changing consumer needs, demands and preferences. As such, the Target Group is required to constantly keep abreast of changes in technology in the industries in order to anticipate and procure the IT products and computer peripherals to meet its customers' needs and preferences. In the event it is unable to procure such IT products and computer peripherals and offer such IT products and peripherals to its customers and/or accurately anticipate changes to consumers' tastes and preferences, its products may become obsolete and its customers may turn to the Target Group's competitors who are able to meet their needs and preferences. This will affect the Target Group's business and financial performance adversely.

(b) Failure to compete successfully with the Target Group's competitors and new entrants may adversely affect their business and financial performance

The industry in which the Target Group operates is highly competitive. The Target Group faces competition from many players who sell similar products. Further, given the low barriers to entry, there is no assurance that the Target Group will not face competition from new entrants. In particular, the Target Group is a local in-country reseller and distributor of IT products and computer peripherals manufactured by established brands such as Intel, MSI and Gigabyte on a non-exclusive basis. Please refer to the section titled "*Business Overview – Procurement of IT products and computer peripherals*" of the Target Group's Letter to Shareholders for more information. The Manufacturers may appoint other competitors as local in-country resellers and distributors of the same products. Such competitors may have longer operating histories, larger clientele, better products, larger teams of technical, sales, marketing and professional staff and such other relevant resources, or are better entrenched in the markets that they operate or intend to venture into. For further details of their competitors, please refer to the section titled "*Competition and Competitive Strengths*" of the Target Group's Letter to Shareholders. If the Target Group is unable to compete effectively with their existing and future competitors and adapt quickly to changing market conditions and trends, its business and financial performance will be adversely affected.

(c) The Target Group will, on and after Completion, be part of the Serial System Group and will be dependent on the Serial System Group

Upon Completion and the issue and allotment of the Consideration Shares, the Target Company will be a wholly-owned subsidiary of the Company, the Target Thai Company will be a subsidiary of the Company, and the Company will be a subsidiary of Serial System and a member of the Serial System Group.

The Target Group will continue to purchase AMD Products from the Serial System Group post-Completion. Such transactions will be subject to the requirements under Chapter 9 of the Catalist Rules and the guidelines and the procedures highlighted in the Proposed IPT Mandate set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of the Target Group's Letter to Shareholders. In relation to Non-AMD Products, while the Target Group presently purchases such products from the Serial System Group, it is expected that the Target Group will be able to purchase all of its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion. In order to facilitate such transition, during this three (3)-month interim period, the Target Company intends to continue purchasing IT products and computer peripherals from the Serial System Group at cost. Please refer to the section titled "*Business Overview – Procurement of IT products and computer peripherals*" of the Target Group's Letter to Shareholders for more details.

The Target Group has also entered into a shared services agreement with Serial System under which Serial System will provide: (a) in-house legal support services; (b) software (SAP) IT support services; (c) human resources and other general administrative services; and (d) trade credit insurance management services, to the Target Group. Please refer to the section titled "*Interested Person Transactions – Present and On-Going Interested Person Transactions – Shared services performed by Serial System*" of the Target Group's Letter to Shareholders for more details.

In addition, under the terms of the Serial System Deed of Undertaking, Serial System has undertaken to, among others, (a) continue to provide corporate guarantees in favour of the Target Group in order for the Target Group to obtain banking facilities; (b) continue to provide trust receipts and other supporting security for the benefit of the Target Group; and (c) accept the settlement of all amounts outstanding under the Interco Loan and the Interco Balances via an issuance of 17,410,169 Interco Shares to Serial System at the Issue Price at Completion. For the avoidance of doubt, the Serial System Deed of Undertaking does not specify a limit to such corporate guarantee. To ensure that such transactions will be

on normal commercial terms and will not be prejudicial to the interest of the Company and its minority Shareholders, the terms of the provision of such corporate guarantees will be subject to the review procedures under the Proposed IPT Mandate as set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

Upon the expiration of the three (3)-month interim period following Completion, the Target Group will be reliant on the Serial System Group for: (i) its purchases of AMD Products on the terms of the Proposed IPT Mandate; (ii) financial support pursuant to the terms of the Serial System Deed of Undertaking on the terms of the Proposed IPT Mandate; and (iii) shared services under the shared services agreement dated 27 December 2023. While it would be in the interest of the Serial System Group to continue supporting the Target Group, there is no assurance that the Serial System Group will continue to do so. In such an event, the Target Group's business and financial performance will be adversely affected.

(d) There is no assurance that the commencement of operations in the Thai IT Consumer Business by the Target Thai Company will be successful

In order to address the potential conflicts of interest arising from Serial System's operation in the Thai IT Consumer Business, the Company, Serial System, the Vendor, the Existing Thai Company and Mr Natthawat have entered into the Implementation Agreement, under which the parties have agreed as to the manner in which the Target Thai Company will commence operations in the Thai IT Consumer Business upon Completion. Please refer to the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" of the Target Group's Letter to Shareholders for more information.

There is no assurance that the terms of the Implementation Agreement will be complied with by the parties post-Completion, and, in the event there is a default or failure to comply with the terms of the Implementation Agreement by any party, the Target Thai Company may not be able to commence operations in the Thai IT Consumer Business, and such a failure may have an adverse impact on the future prospects of the Target Group.

Even if the Implementation Agreement is fully implemented by the parties, there is no assurance that the operation of the Thai IT Consumer Business by the Target Thai Company will be successful or that IT retailers and system integrators will purchase such products from the Target Thai Company.

(e) The Target Group's business may be adversely affected if they are unable to manage their inventory

Technology is constantly changing. Current technology may thus become obsolete in a short span of time. In order to meet its customers' needs, the Target Group has to maintain a certain amount of inventory. If it fails to anticipate such needs of their customers and manage its inventory levels effectively, it may accumulate large amounts of obsolete inventory. In the event the Target Group fails to maintain sufficient amounts of inventory in order to fulfil its customers' orders in a timely manner, such a failure may erode the trust and confidence that it has built up with its customers, and such customers may look to alternative suppliers for such IT products and computer peripherals, which may lead to an adverse impact on the Target Group's sales. Furthermore, any mismanagement of inventory may lead to cash flow shortages and this would affect the Target Group's business and financial performance adversely. Please refer to the section titled "*Inventory Management*" of the Target Group's Letter to Shareholders for further details. In relation to inventory purchased during the Period Under Review and up to the Latest Practicable Date, the Target Group has not had to write-off any inventory which has caused a materially adverse impact on the Target Group's financials and/or operations, as a result of the Target Group's failure to manage such inventory.

(f) The Target Group's business will be adversely affected if it is not able to sell its products

The Target Group is and will be an in-country reseller and distributor of IT products and computer peripherals in Malaysia and Thailand. It is thus dependent on the authorisation of the Manufacturers to continue to act as an in-country reseller or distributor in Malaysia and Thailand. In the event the Manufacturers are dissatisfied with the performance of the Target Group, such Manufacturers may terminate the Target Group as an in-country reseller or distributor, following which the Target Group would not be able to sell such Manufacturers' products. In such an event, the Target Group's product offerings may be reduced, which may have an impact on the Target Group's ability to pursue its bundling strategy and hence adversely affect the Target Group's revenue.

In addition, if the Manufacturers decide in the future to change their sales strategy, for example, by selling their products directly to the end-users or by having their own retail outlets, the Target Group may no longer be authorised to distribute these products. There is no assurance that the Target Group will be able to secure alternative sources for the same or for similar products at competitive prices. As a result of this, the Enlarged Group's business and financial performance will be adversely affected. During the Period Under Review and up to the Latest Practicable Date, none of the Manufacturers has terminated its business relationship with the Target Company or the Existing Thai Company as a result of poor sales performance.

(g) The Target Group is reliant on its key Manufacturers

As a local in-country reseller and distributor, the Target Group is authorised to purchase IT products and computer peripherals manufactured by the Manufacturers for sale in Malaysia and Thailand. Save for laptop computers, it purchases its IT products and computer peripherals substantially through SIFE and SMPL. In this respect, its key Manufacturers include AMD, Intel and Gigabyte. The sales of products supplied by AMD, Intel and Gigabyte accounted for an average of approximately 9.0%, 29.0% and 23.0% of the Target Company's purchases in FY2022 respectively and approximately 11.0%, 24.0% and 15.0% of the Target Company's purchases in 1H2023 respectively. In the event that the Target Group's key Manufacturers or their authorised regional distributors are unable to fulfil the Target Group's purchase orders or the Target Group's right to act as a local in-country reseller is terminated and the Target Group is unable to secure any suitable substitute brands, the Target Group's business and results of operations will be adversely affected. As at the Latest Practicable Date, none of the Manufacturers has ever terminated its business relationship with the Target Group as a result of a breach by the Target Group of its contractual obligations or the failure by the Target Group to meet the sales targets of such Manufacturer.

(h) The Target Group does not have exclusive rights to sell its IT products and computer peripherals, and, there is no guarantee that the Target Group will be able to continue to sell such products in the foreseeable future

In relation to certain of the Manufacturers, for example, MSI, Dynabook and MMD, the Target Company has entered into direct contractual arrangements under which it has been appointed as a non-exclusive distributor for certain IT products and computer peripherals in Malaysia. Such agreements are subject to annual or periodic review by the Manufacturers. Prior to appointing the Target Company or renewing the Target Company's appointment, the Manufacturers may assess the Target Group's past performance. In some cases, the Target Group's right to distribute in Malaysia may be lost if we fail to satisfy certain purchase targets. The Target Company's agreements with their Manufacturers provide for termination by either party upon written notice of between thirty (30) to sixty (60) days. While the Target Company's existing relationships with the Manufacturers should continue for the foreseeable future, there can be no assurance that these relationships will remain unchanged. The appointment of additional in-country resellers or distributors by the Manufacturers in the markets which the Target Group operates will also adversely affect their sales and profitability.

In relation to other Manufacturers such as Intel, Apacer, ASRock Inc., Gigabyte, Thermaltake and ViewSonic, the Target Company has not entered into direct contractual arrangements with such Manufacturers but has been named as an authorised distributor in Malaysia by virtue of it being a Malaysia-incorporated subsidiary of the Serial System Group. As such, there is no contractual obligation on the part of these Manufacturers to continue to supply products to the Target Company. In relation to these Manufacturers, if the Target Company fails to satisfy certain purchase targets which are notified to the Target Company prior to the start of their respective financial years and prior to the start of each quarter, such Manufacturers may elect to cease supplying IT products and computer peripherals to the Target Company and/or revoke the Target Company status as an authorised distributor. As such, even if the Target Company complies with the purchase targets, there is no guarantee that the Target Group will be able to continue to sell such products in the foreseeable future.

During the Period Under Review and up to the Latest Practicable Date, none of the Manufacturers has terminated their business relationship with the Target Company or the Existing Thai Company or has revoked the Target Company's or the Existing Thai Company's status as an authorised distributor in Malaysia and Thailand respectively.

(i) The Target Group may face claims by their customers for defects in their products

The IT products and computer peripherals which the Target Group distributes to its customers must meet stringent quality standards. Although the Target Group has implemented quality assurance procedures as described in the section titled "*Business Overview – Logistics, Quality Assurance and Return Material Authorisation (RMA)*" of the Target Group's Letter to Shareholders, there is no assurance that the products it distributes will always be able to satisfy the standards of the Target Group's customers. If there are any quality defects in the products supplied by them, they may face claims from their customers for damages, injury claims or loss of business suffered by their customers arising from such defects. In the event that the Target Group is unable to seek such recourse against the Manufacturers and it is required to pay damages to their customers in respect of such claims, their business, financial condition and results of operations will be materially and adversely affected.

As at the Latest Practicable Date, the Target Group has not encountered any disputes with its customers in relation to products supplied by the Target Group.

(j) The Target Group's customers do not enter into long term contracts

The Target Group's customers are not bound to it by long term contracts. Therefore, the maintenance of close and satisfactory relationships with the Target Group's major customers is important to the continued success of the Target Group's business. The following are examples of situations, among others, where the Target Group's profitability may be affected by its customers' decisions:

- a decision by major customers to scale down their expansion programme;
- a reduction in the reliance by our customers on us for the supply of IT products and computer peripherals; and
- a decision by customers to terminate the sale of the IT products and computer peripherals which the Target Group distributes.

Such situations will result in a reduction of the Target Group's customers' demand for its products, thereby adversely impacting turnover and profitability.

(k) The Target Group is exposed to risks of market price erosion and stock obsolescence due to the fast pace of technological changes

The fast pace of technological changes have led to shorter product life cycles and the constant introduction of new products. Due to rapid product developments, competition among manufacturers has intensified and has often resulted in price erosion of products. The introduction of new products may also render obsolete certain existing electronic components, including those within the Target Group's product range. As a local in-country reseller, the Target Group maintains inventory of products according to projected market demand. As a result, the Target Group is exposed to risks of price erosion arising from, amongst other things, product upgrades and migration of technology. An over-estimation of such projected demand may result in excessive inventories held by the Target Group. It may then have to sell these components at reduced prices, thus eroding its average profit margin.

The Target Group's inventory management policy, its exposure to inventory price fluctuation and its formal inventory provision policy are further elaborated in the section titled "*Inventory Management*" of the Target Group's Letter to Shareholders.

(l) The Target Group is exposed to the credit risks of their customers which may result in bad debts

The Target Group is exposed to the credit risks of its customers. Any deterioration in the financial position of its customers may materially and adversely affect the Target Group's profits and cash flows as these customers may default on their payment to the Target Group. This impact will be greater in an economic downturn when more customers may experience cash flow difficulties or face the possibility of liquidation. This will result in the Target Group experiencing a long delay in receiving payment for their products or in more severe cases, the Target Group may not be able to receive and/or collect payment for their products. As a result of the Target Group's customers defaulting on their payment to the Target Group, the Target Group would have to make provisions for doubtful debts, or debt write-offs, which would have an adverse impact on their profitability.

The Target Company did not incur any bad debt written off for the Period Under Review. Please refer to the section titled "*Credit Policy*" of the Target Group's Letter to Shareholders.

(m) Changes in political, economic or regulatory conditions in the countries the Target Group operates in would affect their performance

The Target Group's operations are substantially located in Malaysia and will, upon Completion, commence business in Thailand. As a result, the Target Group is susceptible to political, social, economic, legal and regulatory developments in Malaysia and Thailand.

The Target Group may be affected by changes in the political leadership, government policies and/or relevant laws and regulations in Malaysia and Thailand. Any political or regulatory changes include, without limitation, the introduction of new laws and regulations or any modification to the existing laws and regulations which impose and/or increase restrictions on exports or the conduct of business, the repatriation of profits, the imposition of capital controls, changes in interest rates and the taxation of goods and services.

Other political uncertainties include the risks of wars, terrorism, nationalisation and expropriation. The Target Group has no control over such conditions and developments and there is no assurance that such conditions and developments will not have a material and/or adverse effect on the Target Group's business, operations, financial performance, financial condition, results of operations, cash flow and/or prospects.

Also, the economic conditions in Malaysia and Thailand may have an effect on the Target Group's business and operations, as well as the Target Group's revenue and future prospects. Any future deterioration of the Malaysian or Thai economy could affect costs of the Target Group's production and operations and in turn adversely affect its business and financial performance. In times of economic uncertainty, recession or inflation, the Manufacturers may face extensive budgetary pressures, which may affect their supplies and selling prices of raw and/or packaging materials. The Target Group's customers may also reduce their purchases from the Target Group and the amount they are willing to pay for the Target Group's products. Upon the occurrence of such events, the Target Group's business, operations, financial performance, financial condition, results of operations, cash flow and/or prospects may be materially and adversely affected.

In Malaysia, local and foreign investors are subject to the foreign exchange laws and regulations such as the Financial Services Act 2013 ("**FSA**") and the Islamic Financial Services Act 2013 ("**IFSA**"). As at the Latest Practicable Date, foreign investors are allowed to repatriate capital, divestment proceeds, profits, dividends, rental, fees and interests arising from investments in Malaysia provided that the repatriation is made in foreign currency and that the conversion of RM into foreign currency is undertaken in accordance with the BNM's foreign exchange policy notices ("**FE Notices**"). However, there is no assurance that the relevant laws and regulations on foreign exchange control in Malaysia will not change.

In Thailand, the repatriation of capital, including capital gain, payment of dividends, profits and payments for goods and services is allowed as long as such repatriation and payments have been substantiated by submitting the requisite documents or evidence to the authorised commercial banks or the authorised transfer agents. Therefore, in general, the repatriation of the dividends, capital gain and profits by the Target Thai Company will not be restricted under the current foreign exchange control regulations.

(n) The cyclical nature of the IT industry and the demand for IT products and computer peripherals will affect the Target Group's business

The IT industry has historically been cyclical, characterised by wide fluctuations in product supply and demand. From time to time, the industry had also experienced significant downturns, often in connection with, or in anticipation of maturing product cycles and declines in general economic conditions. These downturns have been characterised by diminished product demand, production over-capacity and subsequent accelerated erosion of average selling prices, and in some cases have lasted for more than a year.

The revenue generated by the business of the Target Group is also highly dependent on the demand for IT products and computer peripherals from end-users. High end-user demands may lead to an increase in production levels, resulting in a corresponding increase in demand for the IT products and computer peripherals that are distributed by the Target Group. Conversely, weak demand may lead to production cutbacks, which will adversely impact the demand for the Target Group's IT products and computer peripherals.

The Target Group's continued success will depend largely on the continued growth of various sectors of the IT industry and a better supply and demand balance within the industry.

(o) The Target Group's insurance coverage may not cover all situations

The Target Company has taken out fire insurance, burglary and theft insurance, public liability insurance, employee insurance, money insurance, fidelity insurance and marine cargo insurance, and the Existing Thai Company will procure the transfer of its fire insurance, burglary and theft insurance and employee insurance policies to the Target Thai Company prior to Completion.

However, in the event of a fire, burglary or theft which results in the widespread damage or loss of the Target Group's inventory, while we would be able to make a claim on the Target Group's relevant insurance policies for pecuniary losses suffered, such damage or loss may prevent us from delivering its products to customers, which may erode the trust and goodwill the Target Group has established with its customers. In addition, in the event that the amounts of such claims exceed the insurance coverage of its insurance policies, the Target Group may be liable to cover the shortfall of the amounts claimed. The Target Group is not insured against loss of key personnel and business interruption. If such events were to occur, its business, financial performance and financial position may be materially and adversely affected.

(p) The Target Group depends on selected personnel and its operations and results may be adversely affected by an inability to retain, recruit and motivate key employees

The Target Group's success to-date has been principally due to the collective contribution of its key management team headed by its Proposed New Executive Director, Mr Kenny Sim, and supported by the Target Group's proposed Group General Manager, Mr Jason Soh. The Target Group's continued success is dependent to a large extent on its ability to retain the services of these key personnel. The Target Group does not have any key-man insurance. The loss of any of their services without timely and suitable replacement or an inability to attract and retain qualified personnel will adversely affect the Target Group's operations and hence, its revenue and profits. Further, its profits will be adversely impacted if the Target Group needs to increase employee compensation levels in order to attract and retain existing personnel, as well as any additional personnel that the Target Group requires in the future. Please refer to the section titled "*Proposed New Board and Proposed New Executive Officers*" of the Target Group's Letter to Shareholders for details of their past working experience and service agreement with the Target Group.

(q) The Target Group may face uncertainties and risks associated with the expansion of existing markets and entry into new overseas markets

As part of the Target Group's future plans, the Target Group intends to (i) further expand its existing market in Malaysia; (ii) commence business in Thailand; and (iii) penetrate new markets such as Indonesia, Vietnam and the Philippines, through various means including setting up subsidiaries or representative offices, forming joint ventures or appointing local agents and intensifying sales, marketing and business development activities. Such initiatives involve numerous risks, including but without limitation to, the costs of setting up the Target Group's presence overseas and unexpected or additional costs which may affect the Target Group's results of operations. There can be no assurance that the Target Group will be successful in its entry into these new markets overseas. If the Target Group fails to achieve a sufficient level of revenue, the Target Group will not be able to recover its costs and its future financial position and performance may be adversely affected. Please refer to the section titled "*Prospects, Trends and Future Plans*" of the Target Group's Letter to Shareholders for further details on the Target Group's future plans.

(r) The Target Group is subject to foreign exchange risks

The functional currency of the Target Company and the Target Thai Company is in RM and THB respectively. Sales and operating expenses are denominated mainly in RM and THB respectively, whilst purchases are denominated primarily in USD.

The Target Group's foreign currency sales, purchases and operating costs fluctuate from year to year. Therefore, the Target Group is exposed to foreign currency exchange risks arising from any mismatch between the currencies of the Target Group's sales and the currencies of purchases and operating costs. To the extent that the Target Group's sales and purchases and operating costs are not matched in the same currency, the Target Group may be exposed to significant fluctuations in exchange rates, which may materially and adversely affect the Target Group's operating results. Currently, the Target Group does not have any formal policy to hedge its foreign currency exposure.

As the Target Group's functional currency is in RM and THB, the accounts of its subsidiaries in Malaysia and Thailand will need to be translated to USD for the Target Group's presentation currency reporting purposes. As such, the Target Group faces translation risk in that any material fluctuation in the USD:RM or USD:THB exchange rates will have an effect on the Enlarged Group's consolidated financial statements which are presented in USD.

The Target Group incurred a net foreign exchange gain of approximately USD203,000 for FY2020, net foreign exchange losses of USD291,000 and USD88,000 for FY2021 and FY2022 respectively, and net losses of USD536,000 for 1H2023. The USD303,000 increase in net foreign exchange loss from FY2022 to 1H2023 was a result of revaluation losses on USD balances due to immediate holding company and/or related companies arising from the strengthening of the USD against the RM in 1H2023. Please refer to the section titled "*Foreign Exchange Management*" of the Target Group's Letter to Shareholders for more information.

(s) The Target Group will be reliant on its joint venture partner in relation to its operations in Thailand

Upon Completion, the Company will acquire a 49.0% shareholding interest in the Target Thai Company. The remaining 51.0% of the Target Thai Company will be held by Mr Natthawat, a party that is unrelated to the Company, its subsidiaries, its Directors or Substantial Shareholders, the Target Group, or Target Group's Directors. Mr Natthawat is a Thai national and is presently in charge of the day-to-day operations of the Existing Thai Company.

Pursuant to the terms of the Implementation Agreement, with effect from Completion, Mr Natthawat will become a full-time employee of the Target Thai Company and the Target Thai Company will operate in the Thai IT Consumer Business under the terms of the Target Thai Company Service Agreement. In addition, the parties will be bound by obligations and restrictions set out in the Target Thai Company SHA. Please refer to the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" of the Target Group's Letter to Shareholders for more information on the Target Thai Company Service Agreement and the Target Thai Company SHA. Mr Natthawat has considerable experience in the Thai IT Consumer Business and the Enlarged Group will be dependent on his expertise as well as his compliance with the provisions of the Target Thai Company Service Agreement and the Target Thai Company SHA. In the event Mr Natthawat fails to comply with such provisions, the Enlarged Group's operations in Thailand may be adversely affected which may impact its future performance.

In addition, under the Foreign Business Act B.E. (1999) of Thailand (the "**FBE**"), the business of the Target Thai Company would fall under the "List 3" category. Unless other exemptions apply, a non-Thai entity or individual engaging in a "List 3" category business would be required to obtain a foreign business licence under the FBE. As at the Latest Practicable Date, as the Target Thai Company is majority-owned by a Thai national (being Mr Natthawat), a foreign business licence would not be required. However, in the event Mr Natthawat ceases to be the majority owner of the Target Thai Company, Mr Natthawat would be subject to the transfer provisions under the terms of the Target Thai Company SHA, which includes a right of first refusal in favour of the Company. In such an event, Mr Natthawat would be obliged to give the Company no less than 90 days' notice of his intention to transfer his shares in the Target Thai Company to exercise the Company's right of first refusal, or such extended period to be mutually agreed upon by the parties ("**Notice Period**"). During this Notice Period, the Company may seek to identify a new local Thai partner within the time period stipulated in the Target Thai Company SHA. Please refer to the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" of the Target Group's Letter to Shareholders for more information on the Target Thai Company SHA. In the alternative, the Target Thai Company may concurrently make an application to the Ministry of Commerce for a foreign business licence during this Notice Period. The granting

of such licence is at the discretion of the Ministry of Commerce. Please see the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" for more information. There is no guarantee that the Company would be able to find a replacement local Thai partner within the stipulated time period or would be granted a foreign business license by the Ministry of Commerce. In such an event, the Company would not be permitted to operate the business of the Target Thai Company in Thailand which may have an adverse impact on the Enlarged Group's performance. In the event the Company does not exercise such right of first refusal, Mr Natthawat would only be permitted to transfer his shares to a Thai national at the price notified to the Company. It is a condition of such transfer that such Thai national must have first executed and delivered to the Target Thai Company a deed of adherence as set out in the Target Thai Company SHA, except where the Company and Mr Natthawat have given their prior written consent.

Risks relating to the ownership of Shares following Completion

(a) Serial System will have significant control over the Company, allowing them to influence the outcome of matters requiring the approval of Shareholders

Immediately after the completion of the Proposed Share Consolidation, the Proposed Share Issuance Transactions and the completion of the Proposed Compliance Placement, Serial System will hold in aggregate approximately 73.3% of the Enlarged Share Capital. As a result, Serial System will be able to exercise significant influence over the outcome of matters submitted to Shareholders for approval, including, amongst others, election of the directors of the Company, the approval of significant corporate transactions and the affairs and policies of the Company unless they are required by the Catalist Rules to abstain from voting. Control of a majority and a significant portion of the Shares by Serial System can delay, defer or prevent future transactions including a takeover or a change in control of the Company, and can make some transactions more difficult or impossible to complete without the support of Serial System, even if it may benefit the Shareholders.

(b) Existing Shareholders will face immediate and substantial dilution following Completion and may experience future dilution to shareholdings

Immediately after the allotment and issuance of the Consideration Shares, the Introducer Shares and the completion of the Proposed Share Consolidation, the existing Shareholders will, on a collective basis, own approximately 16.7% of the Enlarged Share Capital.

The Company may also issue new shares or convertible securities, share options or share awards under any employee share schemes that may be implemented after Completion. This may lead to further dilution to the shareholdings of the existing Shareholders.

(c) The Enlarged Group may require additional financing in the future

The Enlarged Group may need to obtain additional debt or equity to fund future expansion plans, acquisitions or capital expenditure. The Enlarged Group is continuously evaluating possible acquisition opportunities, which may require more funds if such acquisitions are carried out on a large scale basis. Accordingly, the Enlarged Group is unable to predict the amount of funds required in the near future. The issue of additional equity may result in dilution to the holders of the Shares. In addition, additional debt financing may include conditions that would restrict the Enlarged Group's freedom to operate the Enlarged Group's business, such as conditions that:

(i) limit the Enlarged Group's ability to pay dividends or require the Enlarged Group to seek consents for the payment of dividends;

(ii) increase the Enlarged Group's vulnerability to general adverse economic and industry conditions;

(iii) require the Enlarged Group to dedicate a portion of its cash flow from operations to payments on the Enlarged Group's debt, thereby reducing the availability of its cash flow to fund capital expenditures, working capital and other general corporate purposes; and

(iv) limit the Enlarged Group's flexibility in planning for, or reacting to, changes in its business and industry.

In addition, there is no assurance that the Enlarged Group will be able to obtain any additional financing or obtain such additional financing on terms acceptable to the Enlarged Group.

(d) The Share price may be volatile, which can result in substantial losses for investors in the Shares after Completion

The market price of the Shares may fluctuate significantly and rapidly as a result of, amongst others, the following factors, some of which are beyond the control of the Company and the Enlarged Group:

(i) variation in the results of operations of the Enlarged Group;

(ii) changes in securities analysts' estimates of the results of operations and recommendations of the Enlarged Group;

(iii) discrepancies between the Enlarged Group's actual operating results and those expected by investors and securities analysts;

(iv) changes in market valuations and share prices of companies with businesses that are similar to those of the Enlarged Group that may be listed in Singapore or elsewhere;

(v) announcements by the Enlarged Group of significant contracts, acquisitions, capital commitments, joint ventures or strategic alliances;

(vi) any negative publicity on the Enlarged Group, its joint ventures, business partners or suppliers;

(vii) unforeseen contingent liabilities of the Enlarged Group;

(viii) additions or departures of key personnel;

(ix) fluctuations in stock market prices and volume;

(x) the Enlarged Group's involvement in material litigation, arbitration proceedings and/or investigations by government authorities;

(xi) success or failure of the Enlarged Group's management in implementing business and growth strategies;

(xii) changes in conditions affecting the industry, general economic conditions or stock market sentiments or other events or factors;

(xiii) unforeseen contingent liabilities of the Enlarged Group;

(xiv) fluctuations in the share prices of companies in the same industry as the Enlarged Group that are also listed in Singapore; and

(xv) foreign exchange fluctuations and translations.

In recent years, the stock markets including the SGX-ST have experienced price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies. Those changes may occur without regard to the operating performance of these companies. The price of the Shares may therefore fluctuate based on factors that have little or nothing to do with the Company or the Enlarged Group, and these fluctuations may materially affect the price of the Shares.

(e) Shareholders and prospective investors may not be able to participate in future issues of the Shares

In the event that the Company issues new Shares, the Company will be under no obligation to offer those Shares to the existing Shareholders at the time of issue, except where the Company elects to conduct a rights issue. However, in electing to conduct a rights issue or other equity issues, the Company will have the discretion and may also be subject to certain regulations as to the procedures to be followed in making such rights offering available to existing Shareholders or in disposing of such rights for the benefit of such Shareholders and making the net proceeds available to them. In addition, the Company may not offer such rights to existing Shareholders having an address in jurisdictions outside of Singapore. Accordingly, certain Shareholders may be unable to participate in future equity offerings by the Company and may experience dilution in their shareholdings as a result.

2.8 Shareholders' Undertakings

The Company had on 12 September 2022 received a deed of irrevocable undertaking executed by Oon Su Sun and Lin Yueh Hung of RSM Corporate Advisory Pte Ltd (the "**Joint Receivers**"), being the joint and several receivers appointed by DBS of the Charged Shares held by Dorr which represents approximately 79.5% of the existing issued and paid-up share capital of the Company as at the Latest Practicable Date (the "**Shareholders' Undertaking**").

Under the terms of the Shareholders' Undertaking, the Joint Receivers have irrevocably agreed to: (a) not sell, transfer or otherwise dispose of or encumber any or all of the Charged Shares until the conclusion of the EGM; and (b) vote in favour of the resolutions to be tabled at an EGM to be convened to approve, *inter alia*, the Proposed Acquisition.

3. THE PROPOSED WHITEWASH RESOLUTION

3.1 Rule 14 of the Code

Under Rule 14 of the Code and section 139 of the SFA, where (a) any person acquires whether by a series of transactions over a period of time or not, shares which (taken together with shares held or acquired by persons acting in concert with him) carry 30.0% or more of the voting rights of a company; or (b) any person who, together with persons acting in concert with him, holds not less than 30.0% but not more than 50.0% of the voting rights and such person, or any person acting in concert with him, acquires in any period of six (6) months additional shares carrying more than 1.0% of the voting rights, such person must extend offers immediately to the holders of any class of share capital of the company which carries votes and in which such person, or persons acting in concert with him, hold shares.

3.2 Serial System and its concert parties

As at the Latest Practicable Date, Serial System does not hold any interest in any Shares.

Immediately after the completion of the Proposed Share Consolidation, the Proposed Share Issuance Transactions and the completion of the Proposed Compliance Placement, Serial System will hold in aggregate approximately 73.3% of the Enlarged Share Capital.

In view of the requirements under Rule 14 of the Code, Serial System will have an obligation to make a mandatory general offer as a result of the allotment and issue of the Consideration Shares to Serial System, unless the obligation is waived by the SIC.

Please refer to Appendix G to this Circular titled "*Changes in Shareholding Structure*" for shareholding effects of, among other things, the Proposed Acquisition on the shareholding of the existing Shareholders and Serial System.

Shareholders should note that the Proposed Acquisition is conditional upon the approval for the Proposed Whitewash Resolution, and hence the Proposed Acquisition will not be completed in the event that the Proposed Whitewash Resolution is not approved.

3.3 Conditional Waiver by the SIC

As announced by the Company, the SIC had on 26 May 2023 granted Serial System a waiver of the requirement to make a general offer under Rule 14 of the Code as a result of the allotment and issuance of the Consideration Shares to Serial System under the Proposed Acquisition (the "**Whitewash Waiver**"), subject to the following conditions:

(a) a majority of holders of voting rights of the Company approve at the EGM, before the issue of the Consideration Shares to Serial System, a resolution by way of poll to waive their rights to receive a general offer from Serial System (the "**Proposed Whitewash Resolution**");

(b) the Proposed Whitewash Resolution is separate from other resolutions;

(c) Serial System and its concert parties (as well as parties not independent of Serial System and its concert parties and the Proposed Acquisition) abstain from voting on the Proposed Whitewash Resolution;

(d) Serial System and its concert parties did not acquire and are not to acquire any Shares or instruments convertible into and options in respect of the Shares (other than subscriptions for, rights to subscribe for, instruments convertible into or options in respect of new Shares which have been disclosed in the Circular):

  (i) during the period between 2 September 2022 (being the date of the Announcement) and the date Shareholders' approval is obtained for the Proposed Whitewash Resolution; and

  (ii) in the six (6) months prior to 2 September 2022 (being the date of the Announcement), but subsequent to negotiations, discussions or the reaching of understandings or agreements with the Directors in relation to the Proposed Acquisition;

(e) the Company appoints an independent financial adviser to advise its Independent Shareholders on the Proposed Whitewash Resolution;

(f) the Company sets out clearly in the Circular:

  (i) details of the Proposed Acquisition including the issue of the Consideration Shares;

  (ii) the dilution effect to existing holders of voting rights of the Company upon the issue of the Consideration Shares and the maximum number of Consideration Shares;

  (iii) the number and percentage of voting rights in the Company as well as the number of instruments convertible into, rights to subscribe for and options in respect of Shares held by Serial System and its concert parties as at the Latest Practicable Date;

  (iv) the number and percentage of voting rights to be issued to Serial System as a result of the Proposed Acquisition;

(v) specific and prominent reference to the fact that the issuance of the Consideration Shares would result in Serial System holding Shares carrying over 49.0% of the voting rights of the Company, and that Serial System and its concert parties will be free to acquire further shares without incurring any obligation under Rule 14 of the Code to make a general offer;

(vi) specific and prominent reference to the fact that Independent Shareholders, by voting for the Proposed Whitewash Resolution, are waiving their rights to a general offer from Serial System at the highest price paid by Serial System and its concert parties for the Shares in the past six (6) months prior to 2 September 2022;

(g) the Circular states that the waiver granted by the SIC to Serial System from the requirement to make a general offer under Rule 14 of the Code is subject to the conditions stated at paragraphs (a) to (f) above;

(h) the Company obtains the SIC's approval in advance for those parts of the Circular that refer to the Proposed Whitewash Resolution; and

(i) to rely on the Proposed Whitewash Resolution, the approval of the Whitewash Resolution must be obtained within three (3) months of 26 May 2023 and the issue of the Consideration Shares under the Proposed Acquisition must be completed within three (3) months of the approval of the Proposed Whitewash Resolution.

As announced by the Company on 25 August 2023, on 24 August 2023, the SIC granted Serial System an extension of three (3) months to 26 November 2023 to obtain approval of the Whitewash Resolution, and as announced by the Company on 7 December 2023, on 6 December 2023, the SIC granted Serial System a further extension of three (3) months to 26 February 2024 to obtain approval of the Whitewash Resolution.

As at the date of this Circular, all the above conditions imposed by the SIC, save and except for the condition under sub-paragraph (a), have been satisfied.

3.4 Implications of the Proposed Whitewash Resolution

Independent Shareholders should note that:

(a) their approval of the Proposed Whitewash Resolution is a Condition Precedent to Completion pursuant to the terms of the SPA, and if Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place;

(b) immediately after the completion of the Proposed Share Consolidation, the Proposed Share Issuance Transactions and the completion of the Proposed Compliance Placement, Serial System will hold Shares carrying over 73.3% of the voting rights of the Company, and Serial System and its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer; and

(c) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a general offer for all of their Shares from Serial System at the highest price paid by Serial System and its concert parties for the Shares in the past six (6) months prior to 2 September 2022.

3.5 Advice of the IFA

In connection with one of the conditions imposed by the SIC for granting the Whitewash Waiver, W Capital Markets Pte. Ltd. has been appointed as the Independent Financial Adviser to the Independent Recommending Directors in relation to the Proposed Whitewash Resolution.

A summary of the advice of the IFA is set out in section 25 of this Circular.

The IFA Letter setting out the IFA's advice in full is reproduced in Appendix E to this Circular titled "*Letter from W Capital Markets Pte. Ltd. to the Independent Recommending Directors*".

4. PROPOSED ISSUANCE OF THE INTRODUCER SHARES

The Company is seeking the approval of the Shareholders for the allotment and issuance of 2,118,644 new Consolidated Shares at the Issue Price (the "**Introducer Shares**") to the Introducer.

The Vendor was introduced to the Company by the Introducer.

The Introducer is a business owner of an advisory firm that specialises in the electronics industry in Singapore and is an active participant in trade organisations in Singapore. As a result of such experience, the Introducer has known Serial System and its Controlling Shareholder for more than ten (10) years. The Introducer was introduced to the Company's Proposed New Executive Director in 2022 in the course of his involvement in such trade organisations.

The Introducer Shares are issued as consideration for his services for introducing the Company to the Target Group pursuant to an introducer agreement entered into between the Introducer and the Company on 27 April 2023. The Introducer Fee represents approximately 1.8% of the Purchase Consideration and shall be paid in the form of Introducer Shares. The Vendor and the Company believe that the Introducer Fee is in line with prevailing market rates and practices for a transaction of this nature and that the Introducer Fee was arrived at after negotiations between the Introducer, the Vendor and the Company at arm's length and took into account, the services provided by the Introducer, which amongst others, includes acting as a liaison between the Company and the Vendor to provide the necessary information for the purposes of the Proposed Acquisition.

As at the Latest Practicable Date, the Introducer does not hold any Shares in the Company. The Introducer is not related to any of the Directors or Substantial Shareholders of the Company and the Target Group, or their respective associates. The Introducer is not co-operating or acting in concert with any other Shareholders of the Company to obtain or consolidate effective control of the Company through the Introducer Shares. Save for the services provided by the Introducer in relation to the Proposed Acquisition as set out above, there is no past or present connection (including business relationship) between the Company, its subsidiaries, its Directors or substantial shareholders, the Target Group, the Target Group Directors and the Introducer.

On Completion Date, the Company shall allot and issue the Introducer Shares to the Introducer, representing approximately 1.2% of the Enlarged Share Capital. Such Introducer Shares will be subject to voluntary moratorium undertakings as set out in section 22.2 of this Circular.

The Introducer Shares will, upon its allotment and issuance, be credited as fully paid-up and free from all encumbrances and will rank *pari passu* in all respects with the existing issued Shares save for any rights, benefits, dividends and entitlements the record date of which is before the Completion Date.

5. THE PROPOSED COMPLIANCE PLACEMENT

5.1 Proposed Compliance Placement

The Company is required to comply with Rule 1015(3)(a) read with Rule 406(1) of the Catalist Rules, where at least 15.0% of the issued share capital of the Company must be held in the hands of at least two hundred (200) public shareholders. Further, under Rule 724 of the Catalist Rules, the SGX-ST may suspend trading of the Shares if less than the required 10.0% of the Shares are held in the hands of the public. The SGX-ST may allow the Company a period of three (3) months, or such longer period as it may agree, to raise the percentage of the Shares held in the hands of the public to at least 10.0%.

Immediately after the completion of the Proposed Share Consolidation, the Proposed Share Issuance Transactions and the completion of the Proposed Compliance Placement, Serial System will own approximately 73.3% of the Enlarged Share Capital and approximately 15.2% of the Enlarged Share Capital will be held in the hands of the public Shareholders.

As at the Latest Practicable Date, the trading of the Shares on Catalist have been suspended and may continue to be suspended immediately after Completion. The suspension will continue during the period allowed for the placement of the Placement Shares pursuant to the Proposed Compliance Placement and until such time as the requirements under Rule 406(1) of the Catalist Rules are met. In the case where the placement of the Placement Shares is not or is unable to be carried out so as to meet the applicable shareholding spread requirement of the Catalist Rules, the trading of the Shares may continue to be suspended.

In order to, *inter alia*, meet the shareholding spread and distribution requirements under the Catalist Rules, the Company wishes to undertake the Proposed Compliance Placement.

5.2 Terms of the Proposed Compliance Placement

The Company will undertake a placement of up to 22,500,000 Placement Shares at no less than the minimum placement price of S$0.20 per Placement Share. As at the Latest Practicable Date, the terms of the Proposed Compliance Placement, including the number of Placement Shares and the placement price, have yet to be finalised pending the entry by the Company into a definitive placement agreement with the placement agent(s).

The Placement Shares, when issued, will be credited as fully paid-up and free from all encumbrances and will rank *pari passu* in all respects with the existing issued Consolidated Shares save for any rights, benefits, dividends and entitlements the record date of which is before completion of the Proposed Compliance Placement.

Pursuant to Rule 812 of the Catalist Rules, the Placement Shares will not be placed to any of the following persons:

(a) Proposed New Directors and Substantial Shareholders of the Company;

(b) members of the immediate family of the Proposed New Directors and Substantial Shareholders of the Company;

(c) related companies (as defined in Section 6 of the Companies Act), associated companies and sister companies of the Substantial Shareholders of the Company; and

(d) corporations in whose shares the Proposed New Directors and Substantial Shareholders of the Company have an aggregate interest of at least 10.0%.

The Proposed Compliance Placement is subject to, *inter alia*, the approval of Shareholders for the allotment and issuance of up to 22,500,000 Placement Shares under the Proposed Compliance Placement on such terms as may be determined by the Proposed New Board including without limitation, the timing of the Proposed Compliance Placement, if any, when it occurs, taking into account various factors, including without limitation market conditions and prices. Subject to the approval of Shareholders being obtained at the EGM, the price of each Placement Share to be offered under the Proposed Compliance Placement shall be determined by the Board but in any event, shall not be less than S$0.20 per Placement Share.

The Company will be appointing a holder of the relevant capital market services license as the placement agent for the Proposed Compliance Placement. The final terms of the Proposed Compliance Placement shall be determined following the entry into a definitive placement agreement and announced via SGXNet. The Proposed Compliance Placement is expected to take place after Completion and after the listing and quotation of the Consideration Shares and the Introducer Shares. However, Shareholders should note that the terms of the Proposed Compliance Placement as well as the timing of the Proposed Compliance Placement, if and when it occurs, will depend on various factors such as market conditions or such other period of time as may be permitted by the SGX-ST.

Shareholders should note that the listing and quotation notice granted by the SGX-ST for the Placement Shares is not to be taken as an indication of the merits of the Company, the Group, the Enlarged Group, the Shares, the Consideration Shares, the Introducer Shares, the Placement Shares, the Option Shares, the Award Shares or the Interco Shares.

5.3 Use of Proceeds

For illustrative purposes, information in this section has been presented assuming that the Proposed Compliance Placement is in respect of all of the 22,500,000 Placement Shares at the Issue Price. Shareholders should note that the foregoing terms are only indicative, and should not be construed as a representation that the Proposed Compliance Placement will be made on those terms.

The Proposed Compliance Placement will raise up to S$5.31 million gross proceeds, which will be fully used to fund the expenses in connection with the Proposed Transactions. The total estimated listing expenses is approximately S$1.30 million, comprising (a) professional fees and expenses of S$1.12 million; (b) placement commission of S$0.14 million; and (c) miscellaneous expenses of S$0.04 million. Accordingly, the net proceeds from the Proposed Compliance Placement will be S$4.01 million.

The Proposed New Board intends to use the following amounts for the purposes set out below:

	Amount (S$'000)	**Estimated Amount Allocated for each Singapore Dollar of the net proceeds from the Proposed Compliance Placement (cents)**
Use of Proceeds		
Expansion of geographical coverage of the business within ASEAN (which may include acquisitions, investments and the entry into strategic alliances and joint ventures)	1,032	0.30
Upgrading of the Target Group's warehousing, distribution and marketing capabilities	344	0.10
General working capital	2,634	0.60
Total net proceeds from the Proposed Compliance Placement	4,010	1.0

The foregoing represents the Proposed New Board's estimate of the allocation of the net proceeds from the Proposed Compliance Placement based on current plans and estimates regarding anticipated expenditures. Actual expenditures may vary from these estimates and the Proposed New Board may find it necessary or advisable to re-allocate the net proceeds within the categories described above or to use portions of the net proceeds for other purposes. In the event that the Proposed New Board decides to re-allocate the net proceeds or use portions of the net proceeds for other purposes, the Proposed New Board will publicly announce such intention through a SGXNet announcement on the SGX-ST's website at http://www.sgx.com.

Pending the deployment of the net proceeds as described above, the funds may be placed in short-term deposits, money market instruments and/or used for the Enlarged Group's working capital requirements, as the Proposed New Board may, in its absolute discretion, deem appropriate.

Shareholders should note that the terms and timing of the Proposed Compliance Placement, including the actual number of Placement Shares will depend on various factors such as market conditions, as well as potential investors' interest in the Shares upon Completion, and there is no certainty or assurance that the Company will be able to place out all or any of the Placement Shares and raise the gross proceeds therefrom.

There is no minimum amount which must be raised from the Proposed Compliance Placement.

None of the proceeds to be raised from the issue of the Placement Shares will be used, directly or indirectly, to acquire or refinance the acquisition of any asset, business or entity, or to discharge, reduce or retire any indebtedness of the Enlarged Group.

5.4 Further Information

The Company will make the necessary follow-up announcements as and when required and/or as and when material developments arise in respect of the Proposed Compliance Placement.

6. THE PROPOSED SHARE CONSOLIDATION

6.1 Details of the Proposed Share Consolidation

In connection with the Proposed Acquisition, the Company proposes to undertake the Proposed Share Consolidation pursuant to which the Company will consolidate every eight (8) existing Shares into one (1) Consolidated Share. Each Consolidated Share will rank *pari passu* in all respects with each other. The Consolidated Shares will be traded on the Catalist Board of the SGX-ST in board lots of one-hundred (100) Consolidated Shares.

Shareholders should note that the number of Consolidated Shares which they will be entitled to pursuant to the Proposed Share Consolidation, based on their holdings of Shares as at the Consolidation Books Closure Date, will be rounded down to the nearest whole Consolidated Share and any fractions of a Consolidated Share arising from the Proposed Share Consolidation will be disregarded. All fractional entitlements arising from the implementation of the Proposed Share Consolidation will be aggregated and/or dealt with in such manner as the Board may, in its absolute discretion, deem appropriate in the interests of the Company. Shareholders will not be paid for any fractions of a Consolidated Share which are disregarded.

As the proceeds of the sale of fractions of Consolidated Shares arising from the Proposed Share Consolidation are likely to be less than the administrative costs and expenses involved in dispatching such proceeds to the Shareholders, fractions of Consolidated Shares arising from the Proposed Share Consolidation will be aggregated and dealt with in such manner as the Proposed New Board may, in their absolute discretion, deem fit in the interest of the Company.

Shareholders or depositors (as the case may be) who hold less than eight (8) Shares as at the Consolidation Books Closure Date (the "**Affected Shareholders**") will not be entitled to any Consolidated Shares and will no longer be Shareholders upon completion of the Proposed Share Consolidation. **Such Affected Shareholders who wish to remain as Shareholders upon completion of the Proposed Share Consolidation are advised to purchase additional Shares so as to increase the number of Shares held to a minimum of eight (8) Shares as at the Consolidation Books Closure Date.**

The Shares are currently traded in board lots of one-hundred (100) Shares in the ready market. Following completion of the Proposed Share Consolidation, the securities accounts of Shareholders or depositors (as the case may be) may be credited with odd lots of Consolidated Shares (that is, lots other than board lots of one-hundred (100) Consolidated Shares) (the "**Odd Lot Shareholders**"). **Odd Lot Shareholders who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade such odd lots of Consolidated Shares on the SGX-ST should note that odd lots of Consolidated Shares can be traded on the Unit Share Market which, following completion of the Proposed Share Consolidation, would allow trading in odd lots with a minimum size of one (1) Consolidated Share. However, Odd Lot Shareholders should note that the market for trading of such odd lots of Consolidated Shares may be illiquid and they may have to bear disproportionate transaction costs in trading their Shares in the Unit Share Market.**

For illustrative purposes, if a Shareholder holds sixteen (16) Shares as at the Consolidation Books Closure Date, following the Proposed Share Consolidation and rounding down to the nearest whole Consolidated Share and disregarding any fractions of Consolidated Shares arising from the Proposed Share Consolidation, the Shareholder will be entitled to two (2) Consolidated Shares.

Shareholders are reminded to check their respective shareholdings in the Company after the Consolidation Books Closure Date before trading.

As at the Latest Practicable Date, the Company has a total issued share capital of approximately S$2,430,179 divided into 186,710,300 Shares (excluding treasury shares and subsidiary holdings. As at the Latest Practicable Date, the Company has 9,700 treasury shares). Following the completion of the Proposed Share Consolidation, the Company will have a total issued share capital of approximately S$2,430,179 divided into approximately 23,338,788 Consolidated Shares (excluding the 1,213 Consolidated Shares held as treasury shares).

The Proposed Share Consolidation will not involve the diminution of any liability in respect of unpaid capital or the payment to any Shareholder of any paid-up capital of the Company, and has no effect on the equity of the Company. Shareholders are not required to make any payment to the Company in respect of the Proposed Share Consolidation. Subject to approval of Shareholders being obtained for the Proposed Share Consolidation at the EGM, the number of Consolidated Shares held by Shareholders arising from the Proposed Share Consolidation will be ascertained on the Consolidation Books Closure Date.

6.2 Rationale for the Proposed Share Consolidation

Pursuant to Rule 1015(3)(c) of the Catalist Rules, for reverse takeover transactions, where the consideration for the acquisition of assets by an issuer is to be satisfied by the issue of shares, the price per share of the issuer after adjusting for any share consolidation must not be lower than S$0.20 (the "**Minimum Issue Price**").

On this basis, the Company and the Vendor had agreed to include the Proposed Share Consolidation as a Condition Precedent and the Company proposes to undertake the Proposed Share Consolidation to comply with the Minimum Issue Price.

6.3 Conditions

Shareholders should note that the implementation of the Proposed Share Consolidation is subject to Shareholders' approval. Shareholders should also note that under the SPA, Shareholders' approval for the Proposed Share Consolidation is a Condition Precedent to completion of the Proposed Acquisition and if Shareholders' approval of the Proposed Share Consolidation is not obtained, the Proposed Acquisition will not proceed to Completion. Shareholders should refer to section 1.4 titled "*Conditionality of Resolutions*" of this Circular on the inter-conditionality/conditionality of the resolutions contained in this Circular.

Subject to Shareholders' approval being obtained for, among other things, the Proposed Share Consolidation at the EGM, and the listing approval from the SGX-ST for the listing of and quotation for the Consolidated Shares on the Catalist Board being received, Shareholders' holdings of the Consolidated Shares arising from the Proposed Share Consolidation will be determined on the Consolidation Books Closure Date. The Company will in due course make an announcement to notify Shareholders of the Consolidation Books Closure Date and the Effective Trading Date.

6.4 Administrative procedures

(a) **Updating of Register of Members and Depository Register**

After Shareholders' approval has been obtained for the Proposed Share Consolidation at the EGM, Shareholders' entitlements of the Consolidated Shares will be determined on the Consolidation Books Closure Date, whereupon the Register of Members and the depository register will be updated to reflect the number of Consolidated Shares held by Shareholders (or depositors, as the case may be) based on their shareholdings in the Company as at the Consolidation Books Closure Date.

(b) **Deposit of old share certificates with CDP**

Shareholders who hold old physical share certificates in their own names and who wish to deposit the same with CDP and have their Consolidated Shares credited to their securities accounts maintained with CDP must deposit their old share certificates, together with the duly executed instruments of transfer in favour of CDP, no later than twelve (12) Market Days before the Consolidation Books Closure Date.

After the Consolidation Books Closure Date, CDP will only accept for deposit share certificates for Consolidated Shares ("**New Share Certificates**"). Shareholders who wish to deposit their New Share Certificates with CDP after the Consolidation Books Closure Date must first deliver their old share certificates to the Company's Share Registrar and Share Transfer Agent, Tricor Barbinder Share Registration Services, for cancellation and issue of New Share Certificates in replacement thereof as described below.

(c) **Issue of New Share Certificates**

Shareholders who have deposited their existing share certificates with CDP at least twelve (12) Market Days prior to the Consolidation Books Closure Date need not take any action. The Company will arrange with CDP to facilitate the exchange of New Share Certificates pursuant to the Proposed Share Consolidation.

Shareholders who have not deposited their existing share certificates as aforesaid or who do not wish to deposit their existing share certificates with CDP are advised to forward all their existing share certificates to the Company's Share Registrar and Share Transfer Agent, Tricor Barbinder Share Registration Services, as soon as possible after they have been notified of the Consolidation Books Closure Date and no later than five (5) Market Days after the Consolidation Books Closure Date for cancellation and exchange for New Share Certificates. New Share Certificates will be sent by ordinary mail to the registered addresses of the Shareholders at their own risk within ten (10) Market Days from the Consolidation

Books Closure Date or the date of receipt of the existing share certificates, whichever is the later. Shareholders are to deliver their respective existing share certificates to the Company's Share Registrar and Share Transfer Agent or CDP only after the announcement of the Consolidation Books Closure Date by the Company.

No receipt will be issued by the Company's Share Registrar and Share Transfer Agent for the receipt of the existing share certificates tendered. Shareholders should note that New Share Certificates will not be issued to Shareholders unless their existing share certificates have been tendered to the Company's Share Registrar and Share Transfer Agent for cancellation.

Please notify the Company's Share Registrar and Share Transfer Agent, Tricor Barbinder Share Registration Services, if you have lost any of your existing share certificates or if there is any change in your address from that reflected in the Register of Members of the Company.

(d) **Share certificates not valid for settlement of trades on SGX-ST**

Shareholders who hold physical share certificates are reminded that their existing share certificates will not be valid for settlement of trading in the new Consolidated Shares on the SGX-ST (as the Company is under a book-entry (scripless) settlement system) but will continue to be accepted for cancellation and issue of New Share Certificates in replacement thereof for an indefinite period by the Company's Share Registrar and Share Transfer Agent. Notwithstanding the above, the New Share Certificates will not be valid for delivery for trades done on the SGX-ST although they will continue to be *prima facie* evidence of legal title.

(e) **Trading arrangements for the Consolidated Shares and for odd lots**

Subject to Shareholders' approval for the Proposed Share Consolidation being obtained at the EGM, with effect from 9.00 a.m. on the Effective Trading Date, trading in the Consolidated Shares will be in board lots of one-hundred (100) Consolidated Shares. Accordingly, eight (8) existing Shares as at 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date will represent one (1) Consolidated Share with effect from 9.00 a.m. on the Effective Trading Date. Trading in the existing Shares will cease after 5.00 p.m. on the Market Day immediately preceding the Effective Trading Date.

The Shares are currently traded in board lots of one-hundred (100) Shares in the ready market. Following the Proposed Share Consolidation, the securities accounts of depositors may be credited with odd lots of Consolidated Shares (i.e. lots other than board lots of one-hundred (100) Consolidated Shares). Depositors who receive odd lots of Consolidated Shares pursuant to the Proposed Share Consolidation and who wish to trade such odd lots of Consolidated Shares on the SGX-ST should note that odd lots of Consolidated Shares can be traded on the Unit Share Market which, following the Proposed Share Consolidation, would allow trading in odd lots with a minimum size of one (1) Consolidated Share. However, Shareholders should note that the market for trading of such odd lots of Consolidated Shares may be illiquid and they may have to bear disproportionate transaction costs in trading their shares in the Unit Share Market.

6.5 Consolidation Books Closure Date and Effective Trading Date

The announcement on the Consolidation Books Closure Date and the Effective Trading Date in respect of the Proposed Share Consolidation will be made by the Company in due course, after consultation with the Financial Adviser and Sponsor for compliance with the relevant Catalist Rules. Please refer to the section titled "*Indicative Timetable*" of this Circular for further details.

7. THE PROPOSED APPOINTMENT OF THE PROPOSED NEW DIRECTORS

Upon Completion, the Company proposes to appoint the Proposed New Directors who are as follows:

(a) Mr Sean Goh (*Chairman and Non-Executive Director*);

(b) Ms Victoria Goh (*Non-Executive Director)*;

(c) Mr Kenny Sim (*Executive Director and CEO*);

(d) Mr Tan Thiam Hee (*Lead Independent Director*);

(e) Mr Kenny Yap Kim Lee (*Independent Director*);

(f) Mr Solomon Tan (*Independent Director*); and

(g) Mr Jason Su (*Independent Director*).

For further information on each of the Directors of the Proposed New Board, please refer to section titled "*Proposed New Board and Proposed New Executive Officers*" of the Target Group's Letter to Shareholders.

8. THE PROPOSED NEW SHARE ISSUE MANDATE

8.1 Proposed New Share Issue Mandate

The Company is proposing to seek Shareholders' approval at the EGM for the Proposed New Share Issue Mandate for the aggregate number of shares which may be issued, to be determined based on the total number of Consolidated Shares (excluding treasury shares and subsidiary holdings) after Completion. This is in addition to the authorisation to be sought for the proposed share issue in relation to the allotment and issuance of the Consideration Shares as set out in section 2 of this Circular, the allotment and issuance of the Placement Shares as set out in section 5 of this Circular, the allotment and issuance of the Introducer Shares as set out in section 4 of this Circular and the allotment and issuance of the Interco Shares as set out in section 15 of this Circular.

Specifically, approval from the Shareholders will be sought for, amongst others, authority to be granted pursuant to Regulation 8 of the Existing Memorandum and Articles and Rule 806 of the Catalist Rules to the Proposed New Board to:

(i) allot and issue new Shares in the capital of the Company (whether by way of rights issue, bonus issue or otherwise); and/or

(ii) make or grant offers, agreements or options that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other offers and agreements convertible into shares,

at any time and upon such terms and conditions, and for such purposes and to such persons as the Proposed New Board shall in their absolute discretion deem fit; and

(notwithstanding that the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any instrument made or granted by the Directors while the ordinary resolution was in force, provided that:

(i) the aggregate number of new shares and convertible securities to be issued pursuant to such authority shall not exceed 100.0% of the then-existing issued share capital of the Company and that the aggregate number of shares and convertible securities to be issued other than on a *pro rata* basis to the then-existing Shareholders shall not exceed 50.0% of the then-existing issued share capital of the Company; and

(ii) unless revoked or varied by the Shareholders in general meeting, such authority shall continue in full force until the conclusion of the next AGM or the date by which the next AGM is required by law or the Catalist Rules to be held, whichever is earlier.

For this purpose, the "**then-existing issued share capital**" shall mean the Enlarged Share Capital.

The Proposed New Share Issue Mandate falls within the limits set out in Rule 806(2)(a) of the Catalist Rules.

8.2 Validity of the Proposed New Share Issue Mandate

The Proposed New Share Issue Mandate, if approved by Shareholders at the EGM, shall take force and effect from the date of the EGM and shall continue in force until the earliest of the following:

(a) the conclusion of the next AGM;

(b) the expiration of the period within which the next AGM is required to be held pursuant to the New Memorandum and Articles or applicable laws;

(c) it is carried out to the full extent mandated; or

(d) it is revoked or varied by ordinary resolution of the Shareholders in a general meeting.

Subject to its continued relevance to the Company, the Proposed New Share Issue Mandate will be put to Shareholders for renewal at subsequent general meetings of the Company.

9. THE PROPOSED CHANGE OF INDEPENDENT AUDITOR

9.1 Background and Rationale for the Proposed Change of Independent Auditor

The Company's existing auditor is Foo Kon Tan LLP. The Proposed New Board is proposing the appointment of Moore Stephens LLP as independent auditor of the Company in place of the existing independent auditor, Foo Kon Tan LLP, with effect from the Completion Date and for the financial year ending 31 December 2023 and to hold office until the conclusion of the next AGM.

The Board is proposing the Proposed Change of Independent Auditor at the request of the Vendor and for the purpose of continuity as Moore Stephens LLP is the existing independent auditor of the Target Group. Following Completion, the principal business of the Enlarged Group will be the business of the Target Group. As such, the Board is of the opinion that Moore Stephens LLP will be more familiar with the Target Group's business and be better positioned to act as the independent auditor of the Company following Completion. In addition, the Proposed Change of Independent Auditor is not due to any dismissal of Foo Kon Tan LLP, or due to Foo Kon Tan LLP declining to stand for election. It is also not a reflection of any concerns over the integrity of the Company's operations or management or effectiveness of the Company's internal controls or the capability of the auditor of the Company.

In accordance with Rule 712(3) of the Catalist Rules, the resignation of Foo Kon Tan LLP as independent auditor of the Company and the appointment of Moore Stephens LLP in place of Foo Kon Tan LLP shall take effect on Completion Date, subject to the Proposed Change of Independent Auditor being approved by Shareholders at the EGM.

Moore Stephens LLP had on 27 December 2023 issued its consent to act as independent auditor of the Company subject to among other things, the approval of Shareholders at the EGM. Accordingly, the resignation of Foo Kon Tan LLP as independent auditor of the Company will take effect upon the approval of the Proposed Change of Independent Auditor by Shareholders at the EGM and subject to Completion.

9.2 Information on Moore Stephens LLP

The information on Moore Stephens LLP and the audit engagement partner below was provided to the Company by Moore Stephens LLP. The Directors have not conducted an independent review or verification of the accuracy of the statements and information below.

Moore Stephens

Moore Stephens has been established in Singapore for more than thirty (30) years. Since then, they have grown, together with their associate firms, to a leading accountancy and consulting association with approximately two hundred (200) partners and professional staff.

Moore Stephens LLP is a member firm of Moore Global Network Limited, which is regarded as one of the world's leading accounting and consulting associations with approximately six hundred (600) offices in one-hundred and ten (110) countries and more than thirty thousand (30,000) partners and professionals.

Moore Stephens provides services to a diverse range of clients, from large corporations and listed companies to private businesses, entrepreneurs and individuals across a broad array of industry sectors. They are a firm of Chartered Accountants in Singapore registered with ACRA and have significant experience acting as independent auditors for over thirty (30) companies listed on the SGX-ST.

For more information on Moore Stephens, please visit https://www.mooresingapore.com.

Audit Engagement Partner

Mr Neo Keng Jin is the designated audit engagement partner who will be responsible for the audit of the Company and its Singapore-incorporated subsidiaries and the overall coordination of all audits of the Enlarged Group's foreign-incorporated subsidiaries. He has over twenty-five (25) years of professional experience and has been involved in audit engagements in a diverse range of clients and industries. He has been the audit engagement partner of several companies listed on the SGX-ST and has experience in auditing companies with similar business sector/activities of the Enlarged Group.

9.3 Disclosure pursuant to Rule 712(3) of the Catalist Rules

9.3.1 Rule 712(3)(a) – Confirmation from the outgoing auditor

The outgoing auditor, Foo Kon Tan LLP, has confirmed that they are not aware of any professional reasons why Moore Stephens LLP should not accept appointment as the new auditor of the Company.

9.3.2 Rule 712(3)(b) – Confirmation from the issuer on any disagreements with outgoing auditor

The Company confirms that there were no disagreements with Foo Kon Tan LLP on accounting treatments within the last twelve (12) months.

9.3.3 Rule 712(3)(c) – Confirmation from the issuer on circumstances connected with change of auditor

The Company confirms that it is not aware of any circumstances connected with the Proposed Change of Independent Auditor that should be brought to the attention of the Shareholders which has not been disclosed in this Circular.

9.3.4 Rule 712(3)(d) – Specific reasons for change of auditor

The Company confirms that the specific reasons for the Proposed Change of Independent Auditor are disclosed in section 9.1 of this Circular. The Proposed Change of Independent Auditor is neither due to the dismissal of Foo Kon Tan LLP nor Foo Kon Tan LLP declining to stand for re-election.

9.3.5 Rule 712(3)(e) – Confirmation from issuer on compliance with Rules 712 and 715 or 716

The Company confirms that it complies with Rules 712, 715 and 716 of the Catalist Rules in relation to the proposed appointment of Moore Stephens LLP as auditor of the Company.

10. THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM "AXINGTON INC." TO "SERIAL ACHIEVA LIMITED"

In connection with the Proposed Transactions, the Company is proposing to change the name of the Company from "**Axington Inc.**" to "**Serial Achieva Limited**" to better reflect the status of the Enlarged Group and the new business and activities of the Enlarged Group. The change of name of the Company will only take effect upon Completion.

An application was made on 6 June 2023 to the Labuan Financial Services Authority ("**Labuan FSA**") to reserve the name "**Serial Achieva Limited**". The application had been approved by Labuan FSA on 8 June 2023 and the name had been reserved for a period of three (3) months, effective until 6 September 2023. An application was made on 22 August 2023 for a further extension of time to reserve the name for a further period of three (3) months, effective until 24 November 2023, which was approved by the Labuan FSA on 24 August 2023. As the name reservation is considered as null and void upon the expiry of the aforementioned three (3)-month period, an application for the name reservation has been resubmitted on 7 November 2023 and will expire on 7 February 2024.

The Proposed Change of Name is subject to Shareholders' approval and will be tabled as a special resolution at the EGM.

Upon receipt of Shareholders' approval for the Proposed Change of Name, the Company shall adopt "**Serial Achieva Limited**" as its new name with effect from the registration of such name with the Labuan FSA, and the name "**Serial Achieva Limited**" shall replace all references to "**Axington Inc.**" wherever it appears in the Company's New Memorandum and Articles.

The Company will make an announcement once the name "**Serial Achieva Limited**" takes effect.

Shareholders should note that the Proposed Change of Name in itself does not affect (i) the identity or legal status of the Company, (ii) any of the rights or obligations of the Company, (iii) any of the rights of Shareholders, or (iv) the Enlarged Group's daily business operations and financial position. The existing Shares will continue to be traded on the SGX-ST.

11. THE PROPOSED ADOPTION OF THE NEW MEMORANDUM AND ARTICLES

11.1 Rationale

The Company is proposing to adopt the New Memorandum and Articles, which will replace the Existing Memorandum and Articles entirely and will incorporate, amongst others, provisions which are consistent with the Catalist Rules prevailing at the Latest Practicable Date, in compliance with Rule 730 of the Catalist Rules. The Company is also taking this opportunity to incorporate and amend articles in its New Memorandum and Articles to allow the Company to submit instruments appointing proxies by electronic means.

11.2 Background

(a) The Catalist Rules

On 31 July 2013, the SGX-ST announced that the Catalist Rules would be amended, *inter alia*, to conduct the voting of all resolutions put to general meetings by poll, in order to enhance transparency of the voting process and encourage greater shareholder participation, and to require at least one (1) scrutineer to be appointed for each general meeting. This amendment took effect on 1 August 2015. It was also announced that the

Catalist Rules would be amended, with effect from 1 January 2014, to require all issuers with a primary listing on the SGX-ST to hold their general meetings in Singapore (unless prohibited by relevant laws and regulations in the jurisdictions of their incorporations) in order to promote more active participation and engagement of shareholders.

(b) Summary of Principal Provisions

Sections 11.2 and 11.3 of this Circular set out a summary of the key differences between the New Memorandum and Articles and the Existing Memorandum and Articles. Shareholders are advised to read the summary of this section in conjunction with (a) the New Memorandum and Articles, which is set out in its entirety in Appendix H to this Circular; and (b) the extracts of the proposed key amendments to the Existing Memorandum and Articles, which is set out in Appendix I to this Circular before deciding on the Special Resolution relating to the Proposed Adoption of the New Memorandum and Articles.

In the paragraphs below, for convenience, the expression "**Article**" will be used for the relevant cross-references to the equivalent provisions of the Existing Memorandum and Articles.

(c) Renumbering

As a result of the addition of the new Articles, deletion of certain articles in the Existing Memorandum and Articles, and amendments to the Existing Memorandum and Articles arising from the amendment of the Catalist Rules, the Articles have subsequently been renumbered.

Capitalised terms not defined in this Circular shall have the meanings as ascribed to them in the New Memorandum and Articles.

11.3 Summary of key changes to the New Memorandum of Articles

Rule 730 of the Catalist Rules provides that if an issuer amends its articles or other constituent documents, they must be made consistent with all the Catalist Rules prevailing at the time of amendment. The following articles are proposed to be revised such that these provisions would be consistent with the Catalist Rules prevailing as at the Latest Practicable Date, in compliance with Rule 730 of the Catalist Rules.

(a) Article 1

Article 1, which is the interpretation section of the New Memorandum and Articles, includes a new definition of "electronic communications" which means communication transmitted (whether from one person to another, from one device to another, from a person to a device or from a device to a person): (a) by means of a telecommunication system; or (b) by other means but while in an electronic form, such that it can (where particular conditions are met) be received in legible form or be made legible following receipt in non-legible form.

(b) Article 5A

Article 5A is a new provision which clarifies that the Articles relating to the transfer, transmission and certification of shares shall not apply to any transactions affecting book-entry securities.

(c) Article 55(2)

Article 55(2), which relates to the duration and location where General Meetings of the Company shall be held, has been updated to reflect the requirement of the Catalist Rules that all General Meetings of the Company shall be held in Singapore, unless prohibited by relevant laws or waived by the SGX-ST. This amendment is in line with Rule 730A(1) of the Catalist Rules.

(d) Article 65

Article 65, which relates to the taking of a poll at General Meetings, has been amended to clarify that:

(i) at least one (1) scrutineer who shall be independent of the persons undertaking the polling process must be appointed for all General Meetings where the vote of the meeting is decided on a poll and if the appointed scrutineer is interested in any of the resolutions to be passed at the General Meeting, it shall refrain from acting as the scrutineer for such resolution. This is in line with Rule 730A(3) of the Catalist Rules; and

(ii) the chairman of the General Meeting shall ensure that the scrutineer properly exercises his duties as a scrutineer including and not limited to ensuring that satisfactory procedures of the voting process are in place before the General Meeting and directing and supervising the count of the votes cast through proxy and in person. This is in line with Rule 730A(4) of the Catalist Rules.

(e) Articles 78(1), 79 and new Article 78(3)

Articles 78(1) and 79 relates to the execution and submission of proxies and are provisions to facilitate the appointment of a proxy and submission of instruments appointing proxies through electronic communication. In particular, it provides that a member can elect to signify his approval for the appointment of a proxy via electronic communications, through such method and in such manner as may be approved or designated by the Directors in lieu of the present requirement of signing, or where applicable, the affixation of the corporate shareholder's common seal.

Article 78(3) is a new provision which provides that a member who has deposited an instrument appointing any number of proxies to vote on his behalf at a General Meeting shall not be precluded from attending and voting in person at that General Meeting. Article 78(3) further provides that any such appointment of all the proxies concerned shall be deemed to be revoked upon the attendance of the member appointing the proxy/proxies at the relevant General Meeting.

These amendments are in line with paragraph 3.3 of Practice Note 7E of the Catalist Rules which provides that if a shareholder submits a proxy form and subsequently attends the meeting in person and votes, the appointment of the proxy should be revoked.

(f) Articles 149(2), 149(3), 149(4), 149(5), 149(6), 149(7) and 149(8)

Articles 149(2), 149(3), 149(4), 149(5), 149(6), 149(7) and 149(8) are new articles which relate to the electronic transmission of notices and documents. Pursuant to the new Rules 1205 and 1206 of the Catalist Rules, subject to certain statutory safeguards, notices and documents may be given, sent or served using electronic communications with the express, implied or deemed consent of the member in accordance with the constitution of the company. In this regard:

(i) there is express consent if a member expressly agrees with the company that notices and documents may be given, sent or served on him using electronic communications;

(ii) Rule 1206(2) of the Catalist Rules provides that there is implied consent if the constitution of a company:

(A) provides for the use of electronic communications;

(B) specifies the manner in which electronic communications is to be used; and

(C) provides that the member shall agree to receive such notice or document by way of such electronic communications and shall not have a right to elect to receive a physical copy of such notice or document; and

(iii) Rule 1206(1) of the Catalist Rules explains that there is deemed consent if:

(A) the constitution of the company provides for the use of electronic communications;

(B) the constitution of the company specifies the manner in which electronic communications is to be used;

(C) the constitution of the company specifies that the member will be given an opportunity to elect within a specified period of time, whether to receive such notice or document by way of electronic communications or as a physical copy; and

(D) the Member was given an opportunity to elect whether to receive such notice or document by way of such electronic communications or as a physical copy, and he failed to make an election within the specified time.

In connection with the above, Article 149 has been amended to provide that, subject to applicable laws and the Catalist Rules relating to electronic communications:

(i) notices and documents may be sent to Shareholders using electronic communications either to a Shareholder's current address (which may be an email address) or by making it available on a website prescribed by the Company from time to time or in such manner as such Shareholder expressly consented to receiving notices and documents by giving notice in writing to the Company;

(ii) **Implied Consent** - a member who has not given express consent may nonetheless be implied to have agreed to receive such notice or document by way of electronic communications and shall not have a right to elect to receive a physical copy of such notice or document, unless otherwise provided under applicable laws or the Catalist Rules; and

(iii) **Deemed Consent** - notwithstanding sub-paragraph (ii) above, the Directors may decide to give Shareholders an opportunity to elect to opt out of receiving such notice or document by way of electronic communications. A member is deemed to have consented to receive such notice or document by way of electronic communications if he was given such an opportunity but failed to opt out within the specified time.

Article 149(5) additionally sets out when service is deemed served in the case of notices or documents sent by electronic communications. In particular, where a notice or document is sent by electronic communications to the current address of a member, it shall be deemed to be served at the time of transmission of the electronic communication by the email server or facility operated by the Company or its service provider to the current address of such member (notwithstanding any delayed receipt, non-delivery or "returned mail" reply message or any other error message indicating that the electronic communication was delayed or not successfully sent), unless otherwise provided under applicable laws. Where a notice or document is made available on a website pursuant to Article 149(2)(b), it shall be deemed to have been duly given, sent or served on the date on which the notice or document is first made available on the website, unless otherwise provided under applicable laws.

Further, and as safeguards, in the case of service on a website pursuant to Article 149(5)(b), Article 149(7) provides that the Company shall give separate notice to the member of the publication of such notice or document on the website through one (1) or more other means, including by way of advertisement in the daily press and/or by way of announcement on the SGX-ST. Article 149(8) also provides that, notwithstanding any provision within the New Memorandum and Articles, the Company shall comply with the Catalist Rules relating to communications with members, including any requirements to send specific documents to members by way of physical copies. This is in line with the Catalist Rule 1207.

The insertion of the new Articles is to facilitate the new regime of electronic transmissions and will enable greater efficiency and cost savings in the transmission of documents from the Company to the Shareholders.

12. THE PROPOSED IPT MANDATE

Shareholders should note that upon Completion, any material transaction entered into between the Enlarged Group and any of the Interested Persons (namely, the Proposed New Board and Controlling Shareholders of the Enlarged Group and/or their respective associates) would constitute Interested Person transactions for the purpose of Chapter 9 of the Catalist Rules.

The Target Company anticipates that it would, in the ordinary course of business, continue to enter into Mandated Transactions with Mandated Interested Persons. In view of the time-sensitive and recurrent nature of such commercial transactions, it would be advantageous for the Company to obtain a general mandate from its Shareholders pursuant to Chapter 9 of the Catalist Rules to enable any or all members of the Enlarged Group, in the ordinary course of their business, to enter into the Mandated Transactions with the Mandated Interested Persons which are necessary for day-to-day operations, provided that all such transactions are carried out on normal commercial terms, on an arm's length basis, and are not prejudicial to the interests of the Enlarged Group and its minority Shareholders.

Please refer to the section titled "*General Mandate for Interested Persons Transactions*" of the Target Group's Letter to Shareholders for information on the Proposed IPT Mandate, including W Capital Markets Pte. Ltd.'s opinion on whether the methods or procedures for determining the transaction prices of the Mandated Transactions are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

13. THE PROPOSED ADOPTION OF THE SERIAL ACHIEVA EMPLOYEE SHARE OPTION SCHEME

In connection with the Company's listing in 2015, Shareholders had previously adopted a share option scheme, known as the "Axcelasia Employee Share Option Scheme", which was to continue in operation for a maximum period of ten (10) years commencing 21 October 2015 provided that such scheme may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

In conjunction with the Proposed Acquisition, the Company proposes to adopt a new share option scheme known as the Serial Achieva Employee Share Option Scheme, which shall be approved by the Shareholders at the EGM and which shall be in substitution of the existing "Axcelasia Employee Share Option Scheme". The rules of the Serial Achieva Employee Share Option Scheme are set out in Appendix K to this Circular. The Serial Achieva Employee Share Option Scheme complies with the relevant rules as set out in Chapter 8 of the Catalist Rules.

Capitalised terms used herein shall, unless otherwise defined, bear the same meanings as defined in Appendix K to this Circular.

The Serial Achieva Employee Share Option Scheme will provide eligible participants with an opportunity to participate in the equity of the Company and to motivate them towards better performance through increased dedication and loyalty. The Serial Achieva Employee Share Option Scheme, which forms an integral and important component of the Company's employee compensation plan, is designed to primarily reward and retain Directors and employees whose services are vital to the Company's well-being and success.

Objectives of the Serial Achieva Employee Share Option Scheme

The objectives of the Serial Achieva Employee Share Option Scheme are as follows:

(a) to motivate participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Enlarged Group;

(b) to retain key employees and Directors whose contributions are essential to the long-term growth and profitability of the Enlarged Group;

(c) to instil loyalty to, and a stronger identification by participants with the long-term prosperity of, the Enlarged Group;

(d) to attract potential employees with relevant skills to contribute to the Enlarged Group and to create value for the Shareholders; and

(e) to align the interests of participants with the interests of the Shareholders.

Summary of the Serial Achieva Employee Share Option Scheme

A summary of the rules of the Serial Achieva Employee Share Option Scheme is set out as follows:

1. **Participants**

   Under the rules of the Serial Achieva Employee Share Option Scheme, executive Directors and employees of the Enlarged Group and associated companies ("**Group Employees**"), and Non-Executive Directors (including the Independent Directors of the Company), are eligible to participate in the Serial Achieva Employee Share Option Scheme. For this purpose, a company is an "associated company" if the Company or the Company and its subsidiaries and associated companies (as they may exist from time to time) hold at least 20.0% but not more than 50.0% of the issued shares in that company and provided the Company has control (as defined in the Catalist Rules) over the associated company. For avoidance of doubt, a Non-Executive director of an Associated Company is not eligible to participate in the Scheme.

   Pursuant to Rule 852 of the Catalist Rules, participation in the Serial Achieva Employee Share Option Scheme by Controlling Shareholders or associates of such Controlling Shareholders must be approved by independent Shareholders of the Company and a separate resolution must be passed for each such person to approve the actual number and terms of the Options to be granted to such person. Controlling Shareholders and their associates shall abstain from voting on any resolution in relation to their participation in the Serial Achieva Employee Share Option Scheme and grant of Options to them.

2. **Scheme administration**

   The Serial Achieva Employee Share Option Scheme shall be administered by the New Remuneration Committee with powers to determine, *inter alia*, the following:

   (a) persons to be granted Options;

   (b) number of Options to be granted; and

   (c) recommendations for modifications to the Serial Achieva Employee Share Option Scheme.

The New Remuneration Committee may consist of Directors (including Directors or persons who may be participants of the Serial Achieva Employee Share Option Scheme). A member of the New Remuneration Committee who is also a participant of the Serial Achieva Employee Share Option Scheme must not be involved in its deliberation in respect of Options granted or to be granted to him.

3. **Size of the Serial Achieva Employee Share Option Scheme**

The aggregate number of shares over which the New Remuneration Committee may grant Options on any date, when added to the number of Shares issued and issuable or transferred and to be transferred in respect of all Options granted under the Serial Achieva Employee Share Option Scheme and the number of Shares issued and issuable or transferred and to be transferred in respect of all Awards granted under the Serial Achieva Performance Share Plan and any other share option schemes or share schemes of the Company, shall not exceed 15.0% of the total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day immediately preceding the date on which an offer to grant an Option is made.

The Company believes that this 15.0% limit gives the Company sufficient flexibility to decide the number of Option Shares to offer to the existing and new employees of the Company. The number of eligible participants is expected to grow over the years. The Company, in line with its goals of ensuring sustainable growth, is constantly reviewing its position and considering the expansion of the talent pool of the Company which may involve employing new employees. The employee base, and thus the number of eligible participants, will increase as a result. If the number of Options available under the Serial Achieva Employee Share Option Scheme is limited, the Company may only be able to grant a small number of options to each eligible participant which may not be a sufficiently attractive incentive. The Company is of the opinion that it should have sufficient number of Options to offer to new employees as well as to existing employees. The number of Options offered must also be significant enough to serve as a meaningful reward for contributions to the Enlarged Group. However, it does not necessarily mean that the New Remuneration Committee will definitely issue Option Shares up to the prescribed limit. The New Remuneration Committee shall exercise its discretion in deciding the number of Option Shares to be granted to each employee, which will depend on the performance and value of the employee to the Enlarged Group.

The aggregate number of Shares which may be issued or transferred pursuant to Options under the Serial Achieva Employee Share Option Scheme to participants who are Controlling Shareholders and their associates collectively shall not exceed 25.0% of the Shares available under the Serial Achieva Employee Share Option Scheme. The number of Shares which may be issued or transferred pursuant to Options under the Serial Achieva Employee Share Option Scheme to each participant who is a Controlling Shareholder or his associates shall not exceed 10.0% of the Shares available under the Serial Achieva Employee Share Option Scheme.

4. **Maximum entitlements**

The aggregate number of Shares comprised in any Options to be offered to a grantee shall be determined at the absolute discretion of the New Remuneration Committee, which shall take into account (where applicable) criteria such as rank, past performance, years of service and potential for future development of that grantee.

5. **Options, exercise period and exercise price**

The Options that are granted under the Serial Achieva Employee Share Option Scheme may have exercise prices that are, at the New Remuneration Committee's discretion, set at a price (the "**Market Price**") equal to the average of the last dealt prices for a Share on the SGX-ST for the five (5) consecutive market days immediately preceding the date on which an offer to grant an Option is made or at a discount to the Market Price (subject to a maximum discount of 20.0%). Options which are fixed at the Market Price ("**Market Price**

Option") may be exercised after the first anniversary of the date on which an offer to grant that Option is made while Options exercisable at a discount to the Market Price may be exercised after the second anniversary from the date on which an offer to grant that Option is made ("**Incentive Option**"). Options granted under the Serial Achieva Employee Share Option Scheme to any Group Employee will have a life span of up to ten (10) years from the date on which they are granted and all other Options granted under the Serial Achieva Employee Share Option Scheme will have a life span of five (5) years from the date on which they are granted.

6. **Grant of Options**

Under the rules of the Serial Achieva Employee Share Option Scheme, there are no fixed periods for the grant of Options. As such, offers of the grant of Options may be made at any time from time to time at the discretion of the New Remuneration Committee. However, no Option shall be granted during the period of thirty (30) days immediately preceding the date of announcement of the Company's interim or final results (as the case may be).

In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers may only be made on or after the third market day from the date on which the aforesaid announcement is made.

7. **Termination of options**

Special provisions in the rules of the Serial Achieva Employee Share Option Scheme deal with the lapse or earlier exercise of Options in circumstances which include the termination of the participant's employment in the Enlarged Group, the bankruptcy of the participant, the death of the participant, a take-over of the Company, and the winding-up of the Company.

8. **Acceptance of options**

The grant of Options shall be accepted within thirty (30) days from the date of the offer. Offers of Options made to grantees, if not accepted in accordance with the rules of the Serial Achieva Employee Share Option Scheme before the closing date, will lapse. Upon acceptance of the offer, the grantee must pay the Company a consideration of S$1.00.

9. **Rights of shares arising**

Subject to the prevailing legislation, the Company will deliver Shares to participants upon exercise of their Options by way of either: (i) an allotment and issue of new Shares; or (ii) a transfer of Shares acquired by the Company pursuant to a share purchase mandate and/or held by the Company as treasury shares.

In determining whether to issue new Shares or deliver existing Shares to participants upon exercise of their Options, the Company will take into account factors such as (but not limited to) the prevailing Market Price of the Shares and the cost to the Company of issuing new Shares or delivering existing Shares.

The financial effects of the above methods are discussed below.

Shares arising from the exercise of Options are subject to the provisions of the constitution of the Company. New Shares allotted and issued, and existing Shares procured by the Company for transfer, upon the exercise of an Option shall rank *pari passu* in all respects with the then existing issued Shares, save for any dividends, rights, allotments or distributions, the record date ("**Record Date**") for which is prior to the relevant exercise date of the Option. "Record Date" means the date as at the close of business on which Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions (as the case may be).

10. **Duration of the Serial Achieva Employee Share Option Scheme**

The Serial Achieva Employee Share Option Scheme shall continue in operation for a maximum duration of ten (10) years commencing from the date on which the Serial Achieva Employee Share Option Scheme is adopted by the Company in general meeting, and may, subject to compliance with any applicable laws and regulations in Singapore, be continued for any further period thereafter with the approval of the Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

11. **Abstention from voting**

Shareholders who are eligible to participate in the Serial Achieva Employee Share Option Scheme are to abstain from voting on any shareholders' resolution relating to the Serial Achieva Employee Share Option Scheme and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular, all Shareholders who are eligible to participate in the Serial Achieva Employee Share Option Scheme shall abstain from voting on the following resolutions, where applicable: (a) implementation of the Serial Achieva Employee Share Option Scheme; (b) the maximum discount which may be given in respect of any Option; and (c) participation by and grant of Options to Controlling Shareholders and their associates.

12. **Reporting requirements**

Under the Catalist Rules, an immediate announcement must be made on the date of grant of an Option and the announcement must provide details of the grant, including the following:

(a) date of grant;

(b) exercise price of the Options granted;

(c) number of Options granted;

(d) Market Price of the Shares on the date of grant;

(e) number of Options granted to each Director and Controlling Shareholder (and each of their associates), if any; and

(f) the validity period of the Options.

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Serial Achieva Employee Share Option Scheme continues in operation:

(a) the names of the members of the New Remuneration Committee administering the Serial Achieva Employee Share Option Scheme;

(b) the following information required in the table below for the following participants of the Serial Achieva Employee Share Option Scheme:

(i) directors of the Company;

(ii) Controlling Shareholders and their associates; and

(iii) participants (other than those in paragraph (b)(i) and (b)(ii) above) who have received 5.0% or more of the aggregate of the total number of Options available under the Serial Achieva Employee Share Option Scheme:

Name of participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of the Serial Achieva Employee Share Option Scheme to end of financial year under review	Aggregate Options exercised since commencement of the Serial Achieva Employee Share Option Scheme to end of financial year under review	Aggregate Options outstanding as at end of financial year under review

(c) the number and proportion of Options granted at a discount during the financial year under review in respect of every 10.0% discount range, up to the maximum quantum of discount granted; and

(d) such other information as may be required by the Catalist Rules or the Companies Act, provided that if any of the above requirements are not applicable, an appropriate negative statement will be included in the Company's annual report.

Grant of Options with a discounted exercise price

The ability to offer Options to participants of the Serial Achieva Employee Share Option Scheme with exercise prices set at a discount to the prevailing Market Price of the Shares will operate as a means to recognise the performance of participants as well as to motivate them to continue to excel while encouraging them to focus more on improving the profitability and return of the Enlarged Group above a certain level which will benefit all Shareholders when these are eventually reflected through share price appreciation. The Serial Achieva Employee Share Option Scheme will also serve to recruit new Group Employees whose contributions are important to the long-term growth and profitability of the Enlarged Group. Discounted Options would be perceived in a more positive light by the participants, inspiring them to work hard and produce results in order to be offered Options at a discount as only employees who have made outstanding contributions to the success and development of the Enlarged Group would be granted Options at a discount.

At present, the Company foresees that Options may be granted with a discount principally in the following circumstances:

(a) Firstly, where it is considered more effective to reward and retain talented employees by way of an Incentive Option rather than a Market Price Option. This is to reward the outstanding performers who have contributed significantly to the Enlarged Group's performance and the Incentive Option serves as additional incentives to such Group Employees. Market Price Options may not be attractive and realistic in the event of an overly buoyant market and inflated share prices. Hence, during such period, the ability to offer such Options at a discount would allow the Company to grant Options on a more realistic and economically feasible basis. Furthermore, Options granted at a discount will give an opportunity to Group Employees to realise some tangible benefits even if external events cause the share price to remain largely static.

(b) Secondly, where it is more meaningful and attractive to acknowledge a participant's achievements through an Incentive Option rather than paying him a cash bonus. For example, Options granted at a discount may be used to compensate employees and to motivate them during economic downturns when wages (including cash bonuses and annual wage supplements) are frozen or cut, or they could be used to supplement cash rewards in lieu of larger cash bonuses or annual wage supplements. Accordingly, it is

possible that merit-based cash bonuses or rewards may be combined with grants of Market Price Options or Incentive Options, as part of eligible employees' compensation packages. The Serial Achieva Employee Share Option Scheme will provide Group Employees with an incentive to focus more on improving the profitability of the Enlarged Group thereby enhancing shareholder value when these are eventually reflected through the price appreciation of the Shares after the vesting period.

(c) Thirdly, where due to speculative forces and having regard to the historical performance of the Share price, the Market Price of the Shares at the time of the grant of the Options may not be reflective of financial performance indicators such as return on equity and/or earnings growth.

The New Remuneration Committee will have the absolute discretion to grant Options where the exercise price is discounted, to determine the level of discount (subject to a maximum discount of 20.0% of the Market Price) and the grantees to whom, and the Options to which, such discount in the exercise price will apply provided that the Shareholders of the Company in general meeting shall have authorised, in a separate resolution, the making of offers and grants of Options under the Serial Achieva Employee Share Option Scheme at a discount not exceeding the maximum discount as aforesaid.

In deciding whether to give a discount and the quantum of such discount (subject to the aforesaid limit), the New Remuneration Committee will have regard to the financial and other performance of the Company and the Enlarged Group, the years of service and individual performance of the grantee, the contribution of the grantee to the success and development of the Enlarged Group and the prevailing market conditions.

The Company may also grant Options without any discount to the Market Price. Additionally, the Company may, if it deems fit, impose conditions on the exercise of the Options (whether such Options are granted at the Market Price or at a discount to the Market Price), such as restricting the number of Shares for which the Option may be exercised during the initial years following its vesting.

Adjustments and Alterations under the Serial Achieva Employee Share Option Scheme

The following describes the adjustment events under, and provisions relating to alterations of, the Serial Achieva Employee Share Option Scheme.

1. **Adjustment events**

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, sub-division, consolidation or distribution, or otherwise) shall take place, then:

(a) the exercise price in respect of the Shares comprised in the Option to the extent unexercised;

(b) the class and/or number of Shares comprised in the Option to the extent unexercised and the rights attached thereto;

(c) the maximum entitlement in any one (1) financial year; and/or

(d) the class and/or number of Shares of which additional Options may be granted to participants under the Serial Achieva Employee Share Option Scheme,

shall be adjusted in such manner as the New Remuneration Committee may determine to be appropriate, provided that no adjustment shall be made if as a result, the participant receives a benefit that a Shareholder does not receive.

The issue of securities as consideration for an acquisition or a private placement of securities or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force shall not normally be regarded as a circumstance requiring adjustment, unless the New Remuneration Committee considers an adjustment to be appropriate.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Company's auditors (acting only as experts and not as arbitrators) to be, in their opinion, fair and reasonable.

2. **Modifications or alterations to the Serial Achieva Employee Share Option Scheme**

The Serial Achieva Employee Share Option Scheme may be modified and/or altered from time to time by a resolution of the New Remuneration Committee subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration which shall adversely affect the rights attached to any Options granted prior to such modification or alteration and which in the opinion of the New Remuneration Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration, shall be made except with the written consent of such number of participants under the Serial Achieva Employee Share Option Scheme who, if they exercised their Options in full, would thereby become titled to not less than three-quarters in number of all the Shares which would be issued or transferred in full of all outstanding Options.

No modification or alteration shall be made to particular rules of the Serial Achieva Employee Share Option Scheme relating to the matters contained in Rules 843 to 848, and Rules 852 to 853 of the Catalist Rules to the advantage of participants under the Serial Achieva Employee Share Option Scheme except with the prior approval of Shareholders in a general meeting.

Rationale for participation of Group Employees and Non-Executive Directors (including the Independent Directors) of the Enlarged Group and employees and executive directors of the Company's associated companies (as they may exist from time to time) in the Serial Achieva Employee Share Option Scheme

The extension of the Serial Achieva Employee Share Option Scheme to Group Employees and Non-Executive Directors (including the Independent Directors) of the Enlarged Group and employees and executive directors of the Company's associated companies (as they may exist from time to time) allows the Enlarged Group to have a fair and equitable system to reward directors and employees who have made and who continue to make significant contributions to the long-term growth of the Enlarged Group.

Although the Non-Executive Directors are not involved in the day-to-day running of the Enlarged Group's business, they nonetheless play an invaluable role in furthering the business interests of the Enlarged Group by contributing their experience and expertise. The participation by the Non-executive Directors in the Serial Achieva Employee Share Option Scheme will provide the Company with a further avenue to acknowledge and recognise their services and contributions to the Enlarged Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment.

In order to minimise any potential conflicts of interests and not to compromise the independence of the Non-Executive Directors, the Company intends to grant only a nominal number of options under the Serial Achieva Employee Share Option Scheme to such Non-Executive Directors and the Shares which will be issued pursuant to the exercise of such Options will not comprise (whether on an individual or collective basis) a significant portion of the Shares available under the Serial Achieva Employee Share Option Scheme. Non-Executive Directors (including Independent Directors) would primarily continue to be remunerated for their services by way of directors' fees.

Rationale for the participation of Controlling Shareholders and their associates in the Serial Achieva Employee Share Option Scheme

Although the Controlling Shareholders and their associates already have shareholding interests in the Company, the Directors are of the view that they should be provided an opportunity to participate in the Serial Achieva Employee Share Option Scheme as they have contributed significantly to the growth and performance of the Enlarged Group, and the opportunity to participate therein will further motivate and encourage them to continue expending great energies towards the success of the Enlarged Group. Options, unlike cash bonuses, will additionally encourage such Controlling Shareholders and their associates to take a long-term view of the Enlarged Group, and will motivate them towards improving the return on equity as this will affect the amount of benefit that they will ultimately derive from their participation in the Serial Achieva Employee Share Option Scheme. It is in the long-term interests of the Company to ensure that these Controlling Shareholders and their associates who are actively contributing to the Enlarged Group are incentivised to remain in and contribute to the growth and development of the Enlarged Group. Their continued contribution will benefit the Enlarged Group.

14. THE PROPOSED ADOPTION OF THE SERIAL ACHIEVA PERFORMANCE SHARE PLAN

In connection with the Company's listing in 2015, Shareholders had previously adopted a share performance plan, known as the "Axcelasia Performance Share Plan", which was to continue in operation for a maximum period of ten (10) years commencing 21 October 2015 provided that such plan may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

In conjunction with the Proposed Acquisition, the Company proposes to adopt a new share performance plan known as the Serial Achieva Performance Share Plan, which shall be approved by the Shareholders of the Company at the EGM and which shall be in substitution of the existing "Axcelasia Performance Share Plan". The rules of the Serial Achieva Performance Share Plan are set out in Appendix L to this Circular. The Serial Achieva Performance Share Plan complies with the relevant rules as set out in Chapter 8 of the Catalist Rules.

Capitalised terms used herein shall, unless otherwise defined, bear the same meanings as defined in Appendix L to this Circular.

Rationale for the Serial Achieva Performance Share Plan

The Serial Achieva Performance Share Plan allows the Company to target specific performance objectives and to provide an incentive for participants to achieve these targets. The Directors of the Company believe that the Serial Achieva Performance Share Plan will provide the Company with a flexible approach to providing performance incentives to the Company's Group Employees (as defined herein) and Directors and, consequently, to improve performance and achieve sustainable growth for the Company in the changing business environment, and to foster a greater ownership culture among key senior management, senior executives and non-executive directors. The Directors of the Company believe that the plan will further strengthen the Company's competitiveness in attracting and retaining superior local and foreign talent.

Operation of the Serial Achieva Performance Share Plan

Awards granted under the Serial Achieva Performance Share Plan will be principally performance-based, incorporating an element of stretched targets for senior executives and significantly stretched targets for key senior management and Directors aimed at delivering long-term shareholder value.

The Serial Achieva Performance Share Plan uses methods fairly common among major local and multi-national companies to incentivise and motivate senior executives, key senior management and Directors to achieve pre-determined targets which create and enhance economic value for Shareholders and the Company believes that the Serial Achieva Performance Share Plan will be an effective tool in motivating senior executives, key senior management and Directors to work towards such targets.

The Serial Achieva Performance Share Plan contemplates the award of fully paid Shares, when and after pre-determined performance or service conditions are accomplished.

A participant's award under the Serial Achieva Performance Share Plan will be determined at the sole discretion of the New Remuneration Committee. In considering an award to be granted to a participant who is an employee, the New Remuneration Committee may take into account, *inter alia*, the participant's capability, creativity, entrepreneurship, innovativeness, scope of responsibility and skill sets. In considering an Award to be granted to a participant who is a Director, the New Remuneration Committee may take into account, *inter alia*, the services and contributions made to the growth of the Enlarged Group, attendance and participation in meetings and the years of service.

Awards granted under the Serial Achieva Performance Share Plan are principally performance-based with performance targets to be set over a performance period and may vary from one performance period to another performance period and from one grant to another grant. Performance targets set by the New Remuneration Committee are intended to be based on medium-term corporate objectives covering market competitiveness, quality of returns, business growth and productivity growth.

Such performance targets and performance periods will be set according to the specific roles of each participant and may differ from participant to participant. The performance targets are stretched targets aimed at sustaining long-term growth. These targets will be tied in with the Company's corporate key performance indicators.

Under the Serial Achieva Performance Share Plan, participants are encouraged to continue serving the Enlarged Group beyond the achievement date of the pre-determined performance targets. The New Remuneration Committee has the discretion to impose a further vesting period after the performance period to encourage the participant to continue serving the Enlarged Group for a further period of time.

Summary of the Serial Achieva Performance Share Plan

A summary of the rules of the Serial Achieva Performance Share Plan is set out as follows:

1. **Eligibility**

   Executive Directors and employees of the Enlarged Group and the Company's associated companies (as they may exist from time to time) ("**Group Employees**") who have attained the age of twenty-one (21) years and hold such rank as may be designated by the New Remuneration Committee from time to time, and Non-Executive Directors (including the Independent Directors), shall be eligible to participate in the Serial Achieva Performance Share Plan at the absolute discretion of the New Remuneration Committee. For this purpose, a company is an "associated company" if the Company and/or its subsidiaries hold at least 20.0% but not more than 50.0% of the issued shares in that company and provided the Company has control (as defined in the Catalist Rules) over the associated company. For the avoidance of doubt, a Non-Executive director of an associated company will not be eligible to participate in the plan.

   Pursuant to Rule 852 of the Catalist Rules, participation in the Serial Achieva Performance Share Plan by Controlling Shareholders or associates of such Controlling Shareholders must be approved by independent Shareholders of the Company and a separate resolution must be passed for each such person to approve the actual number and terms of the Awards to be granted to such person. Controlling Shareholders and their associates shall abstain from voting on any resolution in relation to their participation in the Serial Achieva Performance Share Plan and grant of Awards to them.

2. **Awards**

Awards represent the right of a participant to receive fully paid Shares free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed performance period.

Shares which are allotted and issued or transferred to a participant pursuant to the release of an Award shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during a specified period (as prescribed by the New Remuneration Committee in the award letter), except to the extent approved by the New Remuneration Committee.

3. **Participants**

The selection of a participant and the number of Shares which are the subject of each Award to be granted to a participant in accordance with the Serial Achieva Performance Share Plan shall be determined at the absolute discretion of the New Remuneration Committee, which shall take into account criteria such as his rank, job performance, creativity, innovativeness, entrepreneurship, years of service and potential for future development, his contribution to the success and development of the Enlarged Group and, if applicable, the extent of effort and resourcefulness required to achieve the performance target(s) within the performance period.

4. **Details of Awards**

The New Remuneration Committee shall decide, in relation to each award to be granted to a participant:

(a) the date on which the Award is to be granted;

(b) the number of Shares which are the subject of the Award;

(c) the performance target(s) and the performance period during which such performance target(s) are to be satisfied, if any;

(d) the extent to which Shares, which are the subject of that Award, shall be released on each prescribed performance target(s) being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the performance period; and

(e) any other condition which the New Remuneration Committee may determine in relation to that Award.

The New Remuneration Committee may consist of Directors (including Directors or persons who may be participants of the Serial Achieva Performance Share Plan). A member of the New Remuneration Committee who is also a participant of the Serial Achieva Performance Share Plan must not be involved in its deliberation in respect of awards granted or to be granted to him.

5. **Timing**

While the New Remuneration Committee has the discretion to grant Awards at any time in the year, it is currently anticipated that awards would in general be made once a year. However, no Award shall be granted during the period of thirty (30) days immediately preceding the date of announcement of the Company's interim or final results (as the case may be). In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, Awards may only be granted on or after the third Market Day from the date on which the aforesaid announcement is made.

An award letter confirming the Award and specifying, *inter alia*, the number of Shares which are the subject of the Award, the prescribed performance target(s), the performance period during which the prescribed performance target(s) are to be attained or fulfilled and the schedule setting out the extent to which Shares will be released on satisfaction of the prescribed performance target(s), will be sent to each participant as soon as reasonably practicable after the making of an Award.

6. **Events Prior to Vesting**

Special provisions for the vesting and lapsing of Awards apply in certain circumstances including the following:

(i) the misconduct on the part of a participant as determined by the New Remuneration Committee in its discretion;

(ii) the participant ceasing to be in the employment of the Enlarged Group for any reason whatsoever (other than as specified in paragraph (v) below);

(iii) an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency;

(iv) the bankruptcy of a participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of the Award;

(v) the participant ceases to be in the employment of the Enlarged Group by reason of:

(1) ill health, injury or disability (in each case, evidenced to the satisfaction of the New Remuneration Committee);

(2) redundancy;

(3) retirement at or after the legal retirement age;

(4) retirement before the legal retirement age with the consent of the New Remuneration Committee;

(5) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within the Enlarged Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Enlarged Group, as the case may be; or

(6) any other event approved by the New Remuneration Committee;

(vi) the death of a participant;

(vii) any other event approved by the New Remuneration Committee; or

(viii) a take-over, reconstruction or amalgamation of the Company or an order being made or a resolution passed for the winding-up of the Company (other than as provided in paragraph (iii) above or for amalgamation or reconstruction).

Upon the occurrence of any of the events specified in paragraphs (i), (ii) and (iii), an Award then held by a participant shall, subject as provided in the rules of the Serial Achieva Performance Share Plan and to the extent not yet released, immediately lapse without any claim whatsoever against the Company.

Upon the occurrence of any of the events specified in paragraphs (iv), (v), (vi) and (vii) above, the New Remuneration Committee may, in its absolute discretion, preserve all or any part of any Award and decide either to vest some or all of the Shares which are the subject of the Award or to preserve all or part of any Award until the end of the relevant performance period. In exercising its discretion, the New Remuneration Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that participant and, in the case of performance-related Awards, the extent to which the applicable performance conditions and targets have been satisfied.

Upon the occurrence of the events specified in paragraph (viii) above, the New Remuneration Committee will consider, at its discretion, whether or not to release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that participant. If the New Remuneration Committee decides to release any Award, then in determining the number of Shares to be vested in respect of such Award, the New Remuneration Committee will have regard to the proportion of the performance period which has elapsed and the extent to which the applicable performance conditions and targets have been satisfied.

7. **Size and Duration of the Serial Achieva Performance Share Plan**

The total number of Shares which may be issued or transferred pursuant to Awards granted under the Serial Achieva Performance Share Plan on any date, when aggregated with the aggregate number of Shares over which Options are granted under the Serial Achieva Employee Share Option Scheme and any other share option schemes of the Company, shall not exceed 15.0% of the total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day preceding that date.

The Company believes that the 15.0% limit affords it sufficient flexibility. The Company may, in the future, employ new employees in response to business needs, which would increase the number of eligible participants under the Serial Achieva Performance Share Plan. If the number of Shares available under the Serial Achieva Performance Share Plan is not sufficiently large, the Company may only be able to grant a small number of Shares to each eligible participant, which may not be significant enough to serve as a meaningful reward for contributions to the Enlarged Group.

The aggregate number of Shares over which Awards may be granted under the Serial Achieva Performance Share Plan to Controlling Shareholders and their associates shall not exceed 25.0% of the Shares available under the Serial Achieva Performance Share Plan, and the number of Shares over which an Award may be granted under the Serial Achieva Performance Share Plan to each Controlling Shareholder and his associate shall not exceed 10.0% of the Shares available under the Serial Achieva Performance Share Plan.

The Serial Achieva Performance Share Plan shall continue in force at the discretion of the New Remuneration Committee, subject to a maximum period of ten (10) years commencing on the date on which the Serial Achieva Performance Share Plan is adopted by the Company in general meeting, provided always that the Serial Achieva Performance Share Plan may continue beyond the above stipulated period with the approval of Shareholders in a general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the Serial Achieva Performance Share Plan, any Awards made to participants prior to such expiry or termination will continue to remain valid.

8. **Operation of the Serial Achieva Performance Share Plan**

Subject to the prevailing legislation, the Company will deliver Shares to participants upon vesting of their Awards by way of either: (i) an issue of new Shares; or (ii) a transfer of Shares acquired by the Company pursuant to a share purchase mandate and/or held by the Company as treasury shares.

In determining whether to issue new Shares to participants upon vesting of their Awards, the Company will take into account factors such as (but not limited to) the number of Shares to be delivered, the prevailing Market Price of the Shares and the cost to the Company of issuing new Shares or delivering existing Shares.

The financial effects of the above methods are discussed below.

New Shares allotted and issued and existing Shares procured by the Company for transfer on the release of an Award shall be eligible for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the record date for which is on or after the relevant date of issue or, as the case may be, delivery, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

9. **Administration of the Serial Achieva Performance Share Plan**

The Serial Achieva Performance Share Plan shall be administered by the New Remuneration Committee in its absolute discretion with such powers and duties as are conferred on it by the Company's Board.

The New Remuneration Committee may consist of directors of the Company (including directors of the Company or persons who may be participants of the Serial Achieva Performance Share Plan). A member of the New Remuneration Committee who is also a participant of the Serial Achieva Performance Share Plan must not be involved in its deliberation in respect of Awards granted or to be granted to him.

The New Remuneration Committee shall have the discretion to determine whether the performance condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the New Remuneration Committee shall have the right to make computational adjustments to the audited results of the Company or the Enlarged Group, to take into account such factors as the New Remuneration Committee may determine to be relevant, such as changes in accounting methods, taxes and extraordinary events, and further, the right to amend the performance target(s) if the New Remuneration Committee decides that a properly adjusted performance target would be a fairer measure of performance.

10. **Abstention from voting**

Shareholders who are eligible to participate in the Serial Achieva Performance Share Plan are to abstain from voting on any shareholders' resolution relating to the Serial Achieva Performance Share Plan and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular, all Shareholders who are eligible to participate in the Serial Achieva Performance Share Plan shall abstain from voting on the following resolutions, where applicable: (a) implementation of the Serial Achieva Performance Share Plan; and (b) participation by and grant of Awards to Controlling Shareholders and their associates.

11. **Reporting requirements**

Under the Catalist Rules, an immediate announcement must be made on the date of grant of an Award and the announcement must provide details of the grant, including the following:

(a) date of grant;

(b) Market Price of the Shares on the date of grant of the Award;

(c) number of Shares granted under the Award;

(d) number of Shares granted to each Director and Controlling Shareholder (and each of their associates) under the Award, if any; and

(e) the vesting period in relation to the Award.

The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Serial Achieva Performance Share Plan continues in operation:

(a) the names of the members of the New Remuneration Committee administering the Serial Achieva Performance Share Plan;

(b) the following information required in the table below for the following participants of the Serial Achieva Performance Share Plan:

(i) directors of the Company;

(ii) Controlling Shareholders and their associates; and

(iii) participants (other than those in paragraph (b)(i) and (b)(ii) above) who have received Shares pursuant to the release of Awards granted under the Serial Achieva Performance Share Plan which, in aggregate, represent 5.0% or more of the aggregate of the total number of Shares available under the Serial Achieva Performance Share Plan:

Name of participant	Aggregate number of Shares comprised in Awards under the Serial Achieva Performance Share Plan during the financial year under review (including terms)	Aggregate number of Shares comprised in Awards vested to such participant since commencement of the Serial Achieva Performance Share Plan to end of financial year under review	Aggregate number of Shares comprised in Awards granted since commencement of the Serial Achieva Performance Share Plan to end of financial year under review	Aggregate number of Shares comprised in Awards which have not been released as at the end of financial year under review

(c) such other information as may be required by the Catalist Rules or the Companies Act, provided that if any of the above requirements are not applicable, an appropriate negative statement will be included in the Company's annual report.

Adjustments and Alterations under the Serial Achieva Performance Share Plan

The following describes the adjustment events under, and provisions relating to alterations of, the Serial Achieva Performance Share Plan.

1. **Adjustment events**

If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, sub-division, consolidation or distribution, or otherwise) shall take place, then:

(a) the class and/or number of Shares which are the subject of an Award to the extent not yet vested;

(b) the class and/or number of Shares over which future Awards may be granted under the Serial Achieva Performance Share Plan; and/or

(c) the maximum number of Shares which may be issued pursuant to Awards granted under the Plan,

shall be adjusted in such manner as the New Remuneration Committee may determine to be appropriate, provided that no adjustment shall be made if as a result, the participant receives a benefit that a Shareholder does not receive.

The issue of securities as consideration for an acquisition or a private placement of securities or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by Shareholders (including any renewal of such mandate) is in force shall not normally be regarded as a circumstance requiring adjustment, unless the New Remuneration Committee considers an adjustment to be appropriate.

Any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Company's auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

2. **Modifications or alterations to the Serial Achieva Performance Share Plan**

The Serial Achieva Performance Share Plan may be modified and/or altered from time to time by a resolution of the New Remuneration Committee subject to the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

However, no modification or alteration shall adversely affect the rights attached to Awards granted prior to such modification or alteration except with the written consent of such number of participants under the Serial Achieva Performance Share Plan who, if their Awards were released to them, would thereby become titled to not less than three-quarters in number of all the Shares which would be issued or transferred in full of all outstanding awards under the Serial Achieva Performance Share Plan.

No alteration shall be made to particular rules of the Serial Achieva Performance Share Plan relating to the matters contained in Rules 843 to 848, and Rules 852 to 853 of the Catalist Rules to the advantage of the holders of the Awards except with the prior approval of Shareholders in general meeting.

Rationale for participation of Group Employees and Non-Executive Directors (including the Independent Directors) of the Enlarged Group and employees and executive directors of the Company's associated companies (as they may exist from time to time) in the Serial Achieva Performance Share Plan

The extension of the Serial Achieva Performance Share Plan to Group Employees and Non-Executive Directors (including the Independent Directors) of the Enlarged Group and employees and executive directors of the Company's associated companies (as they may exist from time to time) allows the Enlarged Group to have a fair and equitable system to reward directors and employees who have made and who continue to make significant contributions to the long-term growth of the Enlarged Group.

Although the Non-Executive Directors are not involved in the day-to-day running of the Enlarged Group's business, they, nonetheless, play an invaluable role in furthering the business interests of the Enlarged Group by contributing their experience and expertise. The participation by the Non-executive Directors in the Serial Achieva Performance Share Plan will provide the Company with a further avenue to acknowledge and recognise their services and contributions to the Enlarged Group as it may not always be possible to compensate them fully or appropriately by increasing the directors' fees or other forms of cash payment.

In order to minimise any potential conflicts of interests and not to compromise the independence of the Non-Executive Directors, the Company intends to grant only a nominal number of Awards under the Serial Achieva Performance Share Plan to such Non-Executive Directors and the Shares which will be issued pursuant to such Awards will not comprise (whether for an individual or collective basis) a significant portion of the Shares available under the Serial Achieva Performance Share Plan. Non-Executive Directors (including Independent Directors) would primarily continue to be remunerated for their services by way of directors' fees.

Rationale for the participation of Controlling Shareholders and their associates in the Serial Achieva Performance Share Plan

Although the Controlling Shareholders and their associates already have shareholding interests in the Company, the Directors are of the view that the Controlling Shareholders should be provided an opportunity to participate in the Serial Achieva Performance Share Plan as they have contributed significantly to the growth and performance of the Enlarged Group, and the opportunity to participate therein will further motivate and encourage them to continue expending great energies towards the success of the Enlarged Group. Awards will additionally encourage such Controlling Shareholders and their associates to achieve performance targets as this will affect the amount of benefit that they will ultimately derive from their participation in the Serial Achieva Performance Share Plan. It is in the long-term interests of the Company to ensure that these Controlling Shareholders and their associates who are actively contributing to the Enlarged Group be incentivised to remain in and contribute to the growth and development of the Enlarged Group. Their continued contribution will benefit the Enlarged Group.

15. THE PROPOSED ISSUANCE OF THE INTERCO SHARES

During the Relevant Period, SMPL, a wholly owned subsidiary of Serial System, had extended an inter-company loan of USD1 million to the Target Company (the "**Interco Loan**") for working capital purposes. Please refer to the section titled "*Interested Person Transactions – Past Interested Person Transactions – Provision of Interco Loan by SMPL*" of the Target Group's Letter to Shareholders for more information on the Interco Loan.

In addition, during the Relevant Period, the Target Company had entered into transactions with members of the Serial System Group. Please refer to the section titled "*Interested Person Transactions – Present and Ongoing Interested Person Transactions*" of the Target Group's Letter to Shareholders for more information. As at the Latest Practicable Date, an aggregate amount of USD2,331,000 remains due and owing to the Serial System Group (the "**Aggregate Interco Balance**").

The Company is seeking the approval of Shareholders for the allotment and issuance of up to an aggregate of 17,410,169 new Consolidated Shares at the Issue Price (the "**Interco Shares**") to Serial System comprising:

(a) 5,803,390 Interco Loan Shares as settlement for the principal amount under the Interco Loan. Serial System has, on 29 June 2023, issued a credit note under which it has waived all interest payable by the Target Company on the Interco Loan; and

(b) 11,606,779 Interco Balance Shares as a settlement for USD2 million of the Aggregate Interco Balance (the "**Interco Balances**").

Upon Completion, the Company shall become a subsidiary of Serial System and pursuant to the Serial System Deed of Undertaking, Serial System has undertaken to (i) accept the full settlement of all outstanding amounts under the Interco Loan via the issuance of the Interco Loan Shares to Serial System; and (ii) accept the full settlement of all outstanding amounts under the Interco Balance via the issuance of the Interco Balance Shares.

The Proposed Issuance of the Interco Shares will strengthen the financial position of the Enlarged Group upon completion by capitalising the Interco Loan and the Interco Balances.

The Interco Shares will, upon its allotment and issuance, be credited as fully paid-up and free from all encumbrances and will rank *pari passu* in all respects with the existing issued Shares save for any rights, benefits, dividends and entitlements the record date of which is before the Completion Date.

16. FINANCIAL EFFECTS

16.1 Bases and Assumptions

The financial effects of the Proposed Acquisition on the share capital, earnings and net assets/ net tangible assets of the Enlarged Group have been prepared based on the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") for FY2022 and the audited consolidated financial statements of the Target Company for FY2022.

For the purpose of this section, the financial information computed in relation to the period before and after the Proposed Acquisition is in respect of the Company and the Enlarged Group, respectively.

Shareholders should note that the *pro forma* financial effects of the Proposed Acquisition are for illustrative purposes only. The objective is to illustrate what the historical information might have been had the Proposed Acquisition been completed at an earlier date. However, such information is not necessarily indicative of the actual results of the operations or the related effects in the financial position that would have been attained had the Proposed Acquisition been completed at such an earlier date.

Given that the financial effects presented below are *pro forma* in nature and only for illustrative purposes, it does not necessarily represent the actual financial position and/or results of the Enlarged Group immediately after the completion of the Proposed Acquisition.

For the purposes of illustration, the financial effects of the Proposed Acquisition are computed based on, *inter alia*, the following key assumptions:

(a) the financial effects of the Proposed Acquisition on the earnings and LPS of the Enlarged Group are computed assuming that the Proposed Acquisition was completed on 1 January 2022;

(b) the financial effects of the Proposed Acquisition on the NAV and NTA of the Enlarged Group are computed assuming that the Proposed Acquisition was completed on 31 December 2022;

(c) the proposed allotment and issuance of 915,254,237 Shares to satisfy the Purchase Consideration upon Completion;

(d) the proposed allotment and issuance of 16,949,153 Shares to satisfy the Introducer Fee upon Completion;

(e) the proposed allotment and issuance of 139,281,352 Shares to satisfy all amounts outstanding under the Interco Loan and the Interco Balances upon Completion;

(f) the illustration does not take into account the financial effects of the Proposed Share Consolidation and the Proposed Compliance Placement, and related transaction costs, as well as any accounting treatments; and

(g) save as set out above, there have not been any adjustments for the impact of any other transactions or events other than the Proposed Acquisition.

16.2 Financial Effects

Share Capital

	Before the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition and settlement of the Interco Loan and the Interco Balances
Number of Shares (excluding treasury shares)	186,710,300	1,118,913,690	1,258,195,042
Issued and paid-up share capital of the Company (S$'000)	2,430	29,930[1]	34,038[2]

Notes:

(1) Summation of the existing share capital of the Company as well as the Purchase Consideration and Introducer Fee being satisfied by issuance of new Shares upon Completion, excluding the issue and allotment of the new Shares pursuant to the Proposed Compliance Placement.

(2) Summation of the existing share capital of the Company as well as the Purchase Consideration, Introducer Fee and all outstanding amounts under the Interco Loan and the Interco Balances being satisfied by issuance of new Shares upon Completion, excluding the issue and allotment of the new Shares pursuant to the Proposed Compliance Placement.

NAV

	Before the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition and settlement of the Interco Loan and the Interco Balances
NAV / NTA of the Enlarged Group as at 31 December 2022 (S$'000) [1]	1,606	3,540	7,649
Number of Shares (excluding treasury shares) [2]	186,710,300	1,118,913,690	1,258,195,042
NAV / NTA per Share (Singapore cents)	0.86	0.32	0.61

Notes:

(1) Summation of the NAV / NTA of the Group and the Target Company.

(2) Prior to the completion of the Proposed Share Consolidation.

LPS

	Before the Proposed Acquisition	After the Proposed Acquisition	After the Proposed Acquisition and settlement of the Interco Loan and the Interco Balances
Net loss attributable to Shareholders for FY2022 (S$'000) [1]	(853)	(2,024)	(2,024)
Number of Shares (excluding treasury shares) [2]	186,710,300	1,118,913,690	1,258,195,042
LPS (Singapore cents)	(0.46)	(0.18)	(0.16)

Notes:

(1) Summation of the net loss attributable to Shareholders of the Group and the Target Company.

(2) Prior to the completion of the Proposed Share Consolidation.

16.3 Financial effects of the Serial Achieva Employee Share Option Scheme

The Serial Achieva Employee Share Option Scheme is considered a share-based payment that falls under the SFRS(1) 2 Share-based Payment ("**SFRS(I) 2**"), where the fair value of employee services received in exchange for the grant of the Options would be recognised as an expense. For equity-settled share-based payment transactions, the total amount to be expensed in the income statement over the vesting period is determined by reference to the fair value of each Option granted at the grant date and the number of Options vested by vesting date, with a corresponding increase in equity.

Before the end of the vesting period, at each balance sheet date, the entity revises its estimates of the number of Options that are expected to vest by the vesting date and recognises the impact of this revision in the income statement with a corresponding adjustment to equity. After the vesting date, no adjustment to the income statement would be made. The proceeds net of any directly attributable transaction costs are credited to the share capital when the Options are exercised.

During the vesting period, the consolidated earnings per share would be reduced by both the expenses recognised and the potential ordinary shares to be issued under the Serial Achieva Employee Share Option Scheme. When the Options are exercised, the consolidated NTA will be increased by the amount of cash received for exercise of the Options. On a per share basis, the effect is accretive if the exercise price is above the net tangible assets per share but dilutive otherwise.

There will be no cash outlay expended by the Company at the time of grant of such Options as compared to the payment of cash bonuses. However, as Shareholders may be aware, any Options granted to subscribe for and/or purchase new Shares (whether the exercise price is set at the Market Price of the shares at the date of grant or otherwise) have a fair value at the time of grant. The fair value of an Option is an estimate of the amount that a willing buyer would pay a willing seller for the Option on the grant date. Options are granted to participants at a nominal consideration of S$1.00. Insofar as such Options are granted at a consideration that is less than their fair value at the time of grant, there will be a cost to the Company in that the Company will receive from the participant upon the grant of the Option a consideration that is less than the fair value of the Option.

The following sets out the financial effects of the Serial Achieva Employee Share Option Scheme.

(a) **Share capital**

The Serial Achieva Employee Share Option Scheme will result in an increase in the Company's issued share capital when new Shares are issued to participants. The number of new Shares issued will depend on, *inter alia*, the size of the Options granted under the Serial Achieva Employee Share Option Scheme. Whether and when the Options granted under the Serial Achieva Employee Share Option Scheme will be exercised will depend on the exercise price of the Options, when the Options will vest as well as the prevailing trading price of the Shares. In any case, the Serial Achieva Employee Share Option Scheme provides that the number of Shares to be issued or transferred under the Serial Achieva Employee Share Option Scheme, when aggregated with the aggregate number of Shares over which options or awards are granted under the Serial Achieva Performance Share Plan and any other share option schemes or share schemes of the Company, will be subject to the maximum limit of 15.0% of the Company's total number of issued Shares (excluding Shares held by the Company as treasury shares) from time to time. If instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the Serial Achieva Employee Share Option Scheme will have no impact on the Company's issued share capital.

(b) **NTA**

As described in paragraph (c) below on EPS, the grant of Options will be recognised as an expense, the amount of which will be computed in accordance with SFRS(I) 2. When new Shares are issued pursuant to the exercise of Options, there would be no effect on the NTA due to the offsetting effect of expenses recognised and the increase in share capital. However, if instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the NTA would be impacted by the cost of the Shares purchased.

(c) **EPS**

Without taking into account earnings that may be derived by the Company from the use of the proceeds from the issuance of Shares pursuant to the exercise of Options granted under the Serial Achieva Employee Share Option Scheme, any new Shares issued pursuant to any exercise of the Options will have a dilutive impact on the Company's EPS.

(d) **Dilutive impact**

The issuance of new Shares under the Serial Achieva Employee Share Option Scheme will have a dilutive impact on the Company's consolidated EPS.

An application has been made to the SGX-ST for permission to deal in and for quotation of the Option Shares which may be issued upon the exercise of the Options to be granted under the Serial Achieva Employee Share Option Scheme. The approval of the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries, the Shares, the Option Shares or the Award Shares.

16.4 Financial effects of the Serial Achieva Performance Share Plan

The Serial Achieva Performance Share Plan is considered a share-based payment that falls under the SFRS(I) 2 where participants will receive Shares and the awards would be accounted for as equity-settled share-based transactions, as described in the following paragraphs.

The fair value of employee services received in exchange for the grant of the Awards would be recognised as a charge to the income statement over the period between the grant date and the vesting date of an Award. The fair value per share of the Awards granted will be determined using an option pricing model. The significant inputs into the option pricing model will include, *inter alia*, the share price as at the date of grant of the Award, the risk-free interest rate, the vesting period, volatility of the share and dividend yield. The total amount of the charge over the vesting period is determined by reference to the fair value of each Award granted at the grant date and the number of Shares vested at the vesting date, with a corresponding credit to the reserve account. Before the end of the vesting period, at each accounting year end, the estimate of the number of Awards that are expected to vest by the vesting date is revised, and the impact of the revised estimate is recognised in the income statement with a corresponding adjustment to the reserve account. After the vesting date, no adjustment to the charge to the income statement is made.

The amount charged to the income statement also depends on whether or not the performance target attached to an Award is measured by reference to the Market Price of the Shares. This is known as a market condition. If the performance target is a market condition, the probability of the performance target being met is taken into account in estimating the fair value of the Award granted at the grant date, and no adjustments to the amounts charged to the income statement are made whether or not the market condition is met. However, if the performance target is not a market condition, the fair value per share of the Awards granted at the grant date is used to compute the amount to be charged to the income statement at each accounting date, based on an assessment by the Financial Controller of the Enlarged Group at that date of whether the non-market conditions would be met to enable the Awards to vest. Thus, where the vesting conditions do not include a market condition, there would be no cumulative charge to the income statement if the Awards do not ultimately vest.

The following sets out the financial effects of the Serial Achieva Performance Share Plan.

(a) **Share capital**

The Serial Achieva Performance Share Plan will result in an increase in the Company's issued share capital when new Shares are issued to participants. The number of new Shares issued will depend on, *inter alia*, the size of the Awards granted under the Serial Achieva Performance Share Plan. In any case, the Serial Achieva Performance Share Plan provides that the number of Shares to be issued or transferred under the Serial Achieva Performance Share Plan, when aggregated with the aggregate number of Shares over which options are granted under the Serial Achieva Employee Share Option Scheme and any other share option schemes of the Company, will be subject to the maximum limit of 15.0% of the Company's total number of issued Shares (excluding Shares held by the Company as treasury shares) from time to time. If instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the Serial Achieva Performance Share Plan will have no impact on the Company's issued share capital.

(b) **NTA**

As described in paragraph (c) below on EPS, the Serial Achieva Performance Share Plan is likely to result in a charge to the Company's income statement over the period from the grant date to the vesting date of the Awards. The amount of the charge will be computed in accordance with SFRS(I) 2. When new Shares are issued under the Serial Achieva Performance Share Plan, there would be no effect on the NTA due to the offsetting effect of expenses recognised and the increase in share capital. However, if instead of issuing new Shares to participants, existing Shares are purchased for delivery to participants, the NTA would be impacted by the cost of the Shares purchased. It should be noted that the delivery of Shares to participants under the Serial Achieva Performance Share Plan will generally be contingent upon the eligible participants meeting prescribed performance targets and conditions.

(c) **EPS**

The Serial Achieva Performance Share Plan is likely to result in a charge to earnings over the period from the grant date to the vesting date, computed in accordance with SFRS(I) 2. It should again be noted that the delivery of Shares to participants of the Serial Achieva Performance Share Plan will generally be contingent upon the participants meeting the prescribed performance targets and conditions.

(d) **Dilutive impact**

The issuance of new Shares under the Serial Achieva Performance Share Plan will have a dilutive impact on the Company's consolidated EPS. An application has been made to the SGX-ST for permission to deal in and for quotation of the Award Shares which may be issued upon the release of the Award Shares to be granted under the Serial Achieva Performance Share Plan. The approval of the SGX-ST is not to be taken as an indication of the merits of the Company, its subsidiaries, the Shares, the Option Shares or the Award Shares.

17. APPLICATIONS TO THE SGX-ST

17.1 Waiver of Rule 1015(3)(b)(i) of the Catalist Rules

Pursuant to Rule 1015(3)(b)(i) of the Catalist Rules read with Rules 420, 421 and 422, persons who are existing Controlling Shareholders or who will become Controlling Shareholders of the issuer as a result of the asset acquisition are required to give contractual undertakings to the sponsor to observe a moratorium on the transfer or disposal of all their interests in the securities of the issuer.

As at the Latest Practicable Date, Dorr is the legal owner of 148,335,700 Shares, representing 79.5% of the Company's issued and paid-up share capital (the "**Dorr Shares**"). Mr Terence Loh Ne-Wei is the sole shareholder of Dorr and is deemed interested in the Dorr Shares.

Pursuant to a letter dated 2 August 2021, RSM Corporate Advisory Pte Ltd had notified the Company that two (2) individuals have been appointed by DBS as joint and several receivers (the "**Joint Receivers**") of all the Dorr Shares, pursuant to a share charge dated 2 June 2020 entered into between Dorr and DBS (the "**Share Charge**").

The Company had applied to SGX-ST (through the Financial Adviser and Sponsor) for a waiver for Dorr, Mr Terence Loh Ne-Wei and DBS to comply with the moratorium requirements under Catalist Rules 420, 421 and 422 (the "**Waivers**") for the following reasons:

(i) the Dorr Shares will comprise 13.26% of the Enlarged Share Capital;

(ii) upon completion of the Proposed Transactions, Serial System would become the majority shareholder of the Company and Dorr would cease to be a controlling shareholder;

(iii) Dorr's associates (as defined in the Catalist Rules) do not have any shareholding interests in the Company or the Target Company, and are not and will not be involved in the management and/or the operations of the Company, the Target Company, the Target Thai Company or the Enlarged Group moving forward. Accordingly, upon Completion, Dorr would not fall within the definition of "promoter" in the Catalist Rules;

(iv) as far as the Company is aware, DBS and their associates do not have any interest in the Company or the Target Company, and are not and will not be involved in the management and/or the operations of the Company, the Target Company or the Enlarged Group going forward. Accordingly, upon Completion, DBS would not fall within the definition of "promoter" in the Catalist Rules; and

(v) Serial System will provide undertakings to observe the moratorium requirements under Catalist Rules 420, 421 and 422 in order to maintain Serial System's commitment to the Company and to better align their interests with that of public shareholders.

The SGX-ST had on 27 April 2023 confirmed that it had no objections to grant the Waivers, subject to the following:

(i) the Company making a SGXNet announcement of the Waivers granted, stating the reasons for seeking the waiver and the conditions as per Catalist Rule 106;

(ii) the disclosure of the Waivers granted and the bases for seeking the Waivers in the Circular; and

(iii) submission of a written confirmation from the Company that the Waivers do not contravene any laws and regulations governing the Company and its constituent documents.

17.2 Pre-Consultation and Submission to the SGX-ST

The Sponsor had on 16 March 2023 submitted to the SGX-ST a letter seeking concurrence on the presentation of the unaudited *pro forma* financial statements of the Enlarged Group in respect of Rules 1015(1)(a)(ii) and 1015(4)(a).

The SGX-ST had on 27 April 2023 reverted on its position regarding Rule 1015(1)(a)(ii) and 1015(4)(a) subject to adequate disclosures in the Circular of:

(i) the audited financial statements for ATSB for FY2020, FY2021 and FY2022;

(ii) the Proforma Group Accounts; and

(iii) the reason(s) why no historical balance sheet information would be presented for the Thai IT Consumer Business operated by the Existing Thai Company.

The audited financial statements for ATSB for FY2020, FY2021 and FY2022, the unaudited interim condensed financial statements for ATSB for 1H2023 and the Proforma Group Accounts are included in Appendices B, C and D of the Circular. For (a)(iii), the reasons are disclosed in the section titled "*Management's Discussion and Analysis of Results of Operations and Financial Position of the Target Company – Unaudited Pro Forma Financial Information of the Enlarged Group*" of the Target Group's Letter to Shareholders.

On 15 May 2023, the Financial Adviser and Sponsor had submitted the pre-admission notification to the SGX-ST. A copy of this Circular has been lodged by the Financial Adviser and Sponsor with the SGX-ST, acting as agent on behalf of the Authority, on 27 December 2023 for posting on the SGX-ST website.

Pursuant to Part II of Appendix 4F of the Catalist Rules, the SGX-ST is expected to issue a listing and quotation notice in respect of the issuance and allotment of the Consideration Shares, the Introducer Shares, the Interco Shares, the Consolidated Shares, the Placement Shares, the Option Shares and the Award Shares upon lodgement of this Circular with the SGX-ST, acting as agent on behalf of the Authority.

18. SHARE CAPITAL

As at the date of this Circular, there is only one (1) class of shares in the capital of the Company, being ordinary shares and the Company has an existing issued share capital of 186,710,300 ordinary shares and 9,700 treasury shares. There is no founder, management, deferred or unissued shares. The existing Shares (including, but not limited to, the Shares held by the Directors and Substantial Shareholders) do not carry voting rights which are different from the Consideration Shares, the Introducer Shares, the Placement Shares, the Option Shares, the Award Shares and the Interco Shares. The rights of and privileges attached to the Shares are stated in the New Memorandum and Articles. None of the Shareholders have pre-emptive purchase rights in respect of the Shares.

As at the Latest Practicable Date:

(a) save as disclosed in Appendix G titled "*Changes in Shareholding Structure*" of this Circular, the Company is not directly or indirectly owned or controlled, whether severally or jointly, by any person or government;

(b) save for the Proposed Acquisition, the Directors are not aware of any arrangement the operation of which will result in a change in control of the Company;

(c) the Directors are not aware of any event which has occurred since the beginning of the most recent completed financial year and the Latest Practicable Date, which may have a material effect on the financial position and results of the Company; and

(d) there has not been any public takeover offer by a third party in respect of any of the Shares or by the Company in respect of the shares of another corporation or the units of a business trust, which has occurred between the beginning of the most recent completed financial year and the Latest Practicable Date.

Save as disclosed below, there were no changes in the issued and paid-up share capital of the Company or any issue of Shares for a consideration other than cash within the three (3) years preceding the Latest Practicable Date:

(i) under its previous management, the Company had on 18 August 2020 issued and allotted 30,000,000 Shares under a placement (the "**Placement**") and 150,000 Shares under a compliance placement, each at an issue price of S$0.20 per Share; and

(ii) as announced by the Company on 16 July 2021, the Company subsequently discovered that a sum amounting to S$750,000 remained due from a placee under the Placement. As such, on 27 May 2022, the Company obtained the approval of Shareholders for, among others (i) a cancellation of 3,750,000 Shares held by the placee, representing the unpaid amounts at the issue price of S$0.20 per Share; and (ii) a proposed reduction of share capital by S$11.903 million.

The issued and paid-up share capital of the Company (excluding treasury shares) as at the Latest Practicable Date was approximately S$2,430,179.

As at the Latest Practicable Date:

(a) no person has, or has the right to be given, an option to subscribe for or purchase any securities or securities-based derivatives contracts of the Company;

(b) there is no arrangement which involves the employees of the Company that involves the issue or grant of options or Shares or any other securities in the Company, and no option to subscribe for or purchase Shares has been granted to, or was exercised by, any Director of the Company; and

(c) none of the Shares are held by or on behalf of the Company.

19. DIVIDEND POLICY OF THE ENLARGED GROUP

The Company paid a dividend of S$0.023 per Share in respect of FY2020, and a dividend of S$0.0755 per Share for FY2022. The Company did not pay any dividends for FY2021.

Neither the Company nor the Target Group currently has a formal dividend policy. Please refer to the section titled "*Dividends*" of the Target Group's Letter to Shareholders for information on the dividends declared by the Target Group during the Relevant Period.

There can be no assurance that dividends will be paid in the future or on the amount or timing of any dividends that may be paid in the future. In particular, under the Target Company's banking arrangements, the Target Company may not declare, pay or make any dividend or bonus issue or other distribution without the prior written consent of the bank. As such, the declaration and payment of dividends will be determined at the sole discretion of the Proposed New Board, subject to the approval of the Shareholders and the Target Company's bankers (if such consent is required). Please refer to the section titled "*Capitalisation and Indebtedness*" in the Target Group's Letter to Shareholders for more information on the Target Company's facilities which contain various covenants and undertakings that may impose certain restrictions and limitations on the Target Company's ability to engage in specified types of transactions, including but not limited to the declaration and payment of dividends.

The Company may, by ordinary resolution of its Shareholders at a general meeting, declare dividends but the amount of such dividends shall not exceed the amount recommended by the Proposed New Board. The Proposed New Board may also declare an interim dividend without seeking Shareholders' approval. The Company may only pay dividends out of its distributable profits pursuant to section 140 of the Labuan Companies Act. In making their dividend recommendation, the Proposed New Board will take into consideration, *inter alia*, the performance of the Enlarged Group and the following factors:

(a) the actual and future financial performance and financial condition;

(b) the level of cash and retained earnings;

(c) the current capital commitments, projected capital expenditure and other investment plans;

(d) the terms of the borrowing arrangements (if any);

(e) future plans for expansion; and

(f) any other factors which the Proposed New Board may deem appropriate.

Shareholders and prospective investors should note that all the foregoing statements are statements of the intention of the Proposed New Board and shall not constitute legally binding statements in respect of future dividends which may be subject to the sole and absolute discretion of the Proposed New Board. No inference should or can be made from any of the foregoing statements as to actual future profitability of the Enlarged Group or the ability of the Enlarged Group to pay dividends in the future.

20. INTERESTED PERSON TRANSACTIONS AND POTENTIAL CONFLICTS OF INTERESTS

20.1 Interested Person Transactions involving the Target Group and the Enlarged Group

Shareholders should note that upon Completion, any material transaction entered into between the Enlarged Group and any of the interested persons (namely, the Proposed New Board and Controlling Shareholders of the Enlarged Group and/or their respective associates) would constitute Interested Person transactions for the purpose of Chapter 9 of the Catalist Rules.

Please refer to the section titled "*Interested Person Transactions*" of the Target Group's Letter to Shareholders for more information on the Enlarged Group's transactions with Interested Persons which are material in the context of the Proposed Acquisition for the Relevant Period.

Following Completion, the Enlarged Group will not enter into any Interested Person transactions unless it complies with (a) the requirements under Chapter 9 of the Catalist Rules as well as the procedures set out under the section titled "*Review Procedures for Future Interested Person Transactions (for transactions not covered by the Proposed IPT Mandate)*" in the Target Group's Letter to Shareholders, where applicable; or (b) the terms of the Proposed IPT Mandate as set out under the section titled "*General Mandate for Interested Persons Transactions*" in the Target Group's Letter to Shareholders.

20.2 Potential Conflicts of Interest

In general, a conflict of interest arises when any of the Proposed New Board, Controlling Shareholders or their associates (immediately after Completion) carries on or has any interest in any other corporation carrying on the same business or dealing in similar products as the Enlarged Group.

Please refer to section titled "*Potential Conflicts of Interest*" in the Target Group's Letter to Shareholders for more information on such conflicts of interest pertaining to the Enlarged Group.

21. MATERIAL LITIGATION

The Enlarged Group is not engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have or have had in the twelve (12) months immediately preceding the date of this Circular, a material effect on the Enlarged Group's financial position or profitability. The Directors have no knowledge of any proceedings pending or threatened against the Enlarged Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect the financial position or the business of the Enlarged Group.

22. MORATORIUM

22.1 Moratorium in respect of Shares held by Serial System

Rule 1015(3)(b) of the Catalist Rules provides that moratorium requirements specified in Catalist Rules 420, 421 and 422 are applicable to the following persons:

(a) persons who are existing controlling shareholders or who will become controlling shareholders of the issuer as a result of the asset acquisition; and

(b) associates of any person in (a).

Upon Completion, Serial System will receive 114,406,780 Consideration Shares as directed by the Vendor, in accordance with the terms of the SPA and 17,410,169 Interco Shares, and will become a new Controlling Shareholder of the Company.

Catalist Rule 422(1) provides that the period of moratorium for a promoter must be for his entire shareholdings at listing for at least six (6) months after listing and no less than 50.0% of the original shareholding (adjusted for any bonus issue, subdivision or consolidation) for the next six (6) months.

Accordingly, in compliance with the moratorium requirements as set out in Catalist Rule 422(1) and to demonstrate their commitment to the Enlarged Group, Serial System, who will hold an aggregate of 131,816,949 Consolidated Shares (representing approximately 73.3% of the Enlarged Share Capital, excluding treasury shares and subsidiary holdings) and as such is considered a "promoter" for the purposes of Catalist Rule 422(1), has irrevocably and unconditionally undertaken not to directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of:

(a) all or any part of its 131,816,949 Consolidated Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months from the commencement of the trading resumption of the Company; and

(b) more than 50.0% of its 131,816,949 Consolidated Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months from the commencement of the trading resumption of the Company, such that during this six (6) month period, Serial System will remain the holder of no less than 50.0% of its 131,816,949 Consolidated Shares (adjusted for any bonus issues or sub-division of Shares).

22.2 Moratorium in respect of the Introducer Shares

The Introducer, who will hold an aggregate of 2,118,644 Consolidated Shares immediately after Completion, the Proposed Issuance of the Introducer Shares and the Proposed Compliance Placement (representing approximately 1.2% of the Enlarged Share Capital), has irrevocably and unconditionally undertaken not to directly or indirectly, offer, sell, contract to sell, realise, transfer, assign, pledge, grant any option or right to purchase, grant any security over, encumber or otherwise dispose of all or any part of his Shares (adjusted for any bonus issues or sub-division of Shares) for a period of six (6) months from the commencement of the trading resumption of the Company.

23. MATERIAL CONTRACTS

Save as set out below, the Enlarged Group has not entered into material contracts not in the ordinary course of business in the two (2) years preceding the Latest Practicable Date:

(a) the SPA;

(b) the First Amendment Letter;

(c) the Second Amendment Letter;

(d) the Implementation Agreement; and

(e) the Target Thai Company SHA.

24. VOTING UNDERTAKINGS

Under the Shareholders' Undertaking, the Joint Receivers appointed over the Charged Shares have irrevocably agreed to (a) not sell, transfer or otherwise dispose of or encumber any or all of the Charged Shares until the conclusion of the EGM; and (b) vote in favour of the resolutions to be tabled at an EGM to be convened to approve, *inter alia*, the Proposed Acquisition. The Charged Shares represent 79.5% of the issued Shares as at the Latest Practicable Date.

25. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER IN RELATION TO THE PROPOSED WHITEWASH RESOLUTION

Pursuant to the condition imposed by SIC in granting the Whitewash Waiver set out in section 3.3 of this Circular, W Capital Markets Pte. Ltd. has been appointed as IFA to the Independent Recommending Directors in respect of the Proposed Whitewash Resolution. A copy of the IFA Letter in relation to the above is reproduced in Appendix E of this Circular. Shareholders are advised to read the IFA Letter in its entirety.

Based on the IFA's analysis, and after having considered carefully the information available to the IFA as at the Latest Practicable Date, the IFA is of the opinion that, on balance, the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are fair and reasonable, and that the Proposed Whitewash Resolution, when considered in the context of the Proposed Acquisition, is not prejudicial to the interests of the Independent Shareholders.

Accordingly, the IFA advises the Independent Recommending Directors to recommend that Independent Shareholders vote in favour of the Proposed Whitewash Resolution.

26. INTERESTS OF THE FINANCIAL ADVISER AND SPONSOR, INDEPENDENT BUSINESS VALUER AND INDEPENDENT FINANCIAL ADVISER

26.1 Interests of RHT Capital

In the reasonable opinion of the Directors, RHT Capital does not have a material relationship with the Company and/or the Target Group, save for the following:

(a) RHT Capital is the Financial Adviser to the Company in respect of the Proposed Acquisition; and

(b) RHT Capital is presently the continuing sponsor of the Company and will continue to be the continuing sponsor post-Completion for a three (3) year period.

26.2 Interests of AVA Associates Limited

In the reasonable opinion of the Directors, the Independent Business Valuer, AVA Associates Limited, does not have a material relationship with the Company and/or the Target Group save for AVA Associates Limited being the Independent Business Valuer.

26.3 Interests of W Capital Markets Pte. Ltd.

In the reasonable opinion of the Directors, the Independent Financial Adviser, W Capital Markets Pte. Ltd., does not have a material relationship with the Company and/or the Target Group, save for W Capital Markets Pte. Ltd. being the Independent Financial Adviser in relation to the Proposed Whitewash Resolution and the Proposed IPT Mandate.

27. INTERESTS OF EXPERTS

No experts named in this Circular are employed on a contingent basis by the Company and/or the Target Group, or has a material interest, whether direct or indirect, in the Shares of the Company and/or Target Group, or has a material economic interest, whether direct or indirect, in the Company and/or the Target Group, including an interest in the Proposed Transactions.

28. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As far as the Company is aware, none of the directors or controlling Shareholders of the Company has any interest, direct or indirect (other than through their shareholdings in the Company), in the Proposed Acquisition.

29. ABSTENTION FROM VOTING

In accordance with the conditions of the Whitewash Waiver, Serial System, its concert parties and parties not independent of them and the Proposed Acquisition will abstain from voting at the EGM on the ordinary resolution relating to the Proposed Whitewash Resolution and the ordinary resolution relating to the Proposed IPT Mandate. They will also decline to accept appointment as proxies for voting at the EGM in respect of the resolution relating to the Proposed Whitewash Resolution and the Proposed IPT Mandate unless the Independent Shareholders appointing them as proxies give specific instructions in their proxy forms as to the manner in which their votes are to be cast in respect of such resolution.

The Company will disregard any votes cast by Serial System, its concert parties and parties not independent of them and the Proposed Acquisition on the resolution relating to the Proposed Whitewash Resolution and the Proposed IPT Mandate.

Save for Serial System, its concert parties and parties not independent of them and the Proposed Acquisition who will abstain from voting at the EGM on the ordinary resolution relating to the Proposed Whitewash Resolution and the Proposed IPT Mandate, there are no other parties who are required to abstain from voting on any of the resolutions tabled in the Notice of EGM contained in this Circular.

Shareholders who are eligible to participate in the Serial Achieva Employee Share Option Scheme and/or Serial Achieva Performance Share Plan are to abstain from voting on any shareholders' resolution relating to the Serial Achieva Employee Share Option Scheme and/or Serial Achieva Performance Share Plan and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular, all Shareholders who are eligible to participate in the Serial Achieva Employee Share Option Scheme and/or Serial Achieva Performance Share Plan shall abstain from voting on the following resolutions, where applicable: (a) implementation of the Serial Achieva Employee Share Option Scheme and/or Serial Achieva Performance Share Plan; (b) the maximum discount which may be given in respect of any Option; and (c) participation by and grant of Options and/or Awards to Controlling Shareholders and their associates.

30. DIRECTORS' RECOMMENDATION

Having considered and reviewed, amongst other things, the terms of the SPA, the rationale for the Proposed Transactions, the risk factors and other investment considerations, and all other relevant facts set out in this Circular, the Directors are of the opinion that the Proposed Transactions are not prejudicial to the Shareholders and are in the interest of the Company, and accordingly, they recommend that Shareholders vote in favour of all of the resolutions in relation to the Proposed Transactions as set out in the Notice of EGM contained in this Circular.

31. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out in the section titled "*Notice of Extraordinary General Meeting*" of this Circular, will be held on Monday, 22 January 2024, 10.30 a.m. at 218 Pandan Loop S128408, L2 Xhowroom, for the purpose of considering, and if thought fit, passing with or without any modifications, the resolutions set out in the Notice of EGM.

32. ACTION TO BE TAKEN BY SHAREHOLDERS

32.1 Appointment of Proxies

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the accompanying Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the office of the Singapore Share Registrar and Transfer Agent, Tricor Barbinder Share Registration Services at 9 Raffles Place, #26-01 Republic Plaza I, Singapore 048619, not less than seventy-two (72) hours before the time fixed for the EGM. The completion and return of a Proxy Form by a Shareholder does not preclude him from attending and voting in person at the EGM if he subsequently wishes to do so. In such event, the relevant Proxy Forms will be deemed to be revoked and the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the EGM.

32.2 When a Depositor is Regarded as a Shareholder

A depositor shall not be regarded as a member of the Company entitled to appoint the Chairman of the EGM and to attend, speak and vote thereat on his/her/its behalf unless he/she/it is shown to have Shares entered against his/her/its name in the depository register, as certified by the CDP, at least seventy-two (72) hours before the EGM.

33. CONSENTS

33.1 RHT Capital Pte. Ltd., the Financial Adviser and Sponsor to the Company in respect of the Proposed Acquisition, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.2 W Capital Markets Pte. Ltd., the Independent Financial Adviser in respect of the Proposed Whitewash Resolution and the Proposed IPT Mandate, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the IFA Letter and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.3 AVA Associates Limited, the Independent Business Valuer commissioned by the Company to conduct a valuation of the Target Group has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name, the Business Valuation Report, and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.4 Moore Stephens LLP, the Independent Auditor to the Target Group and the reporting accountant to the Enlarged Group, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name, the "*Independent Auditors' Report on the Financial Statements for the Financial Years Ended 31 December 2020, 2021 and 2022 of the Target Company*" as set out in Appendix B to this Circular, the "*Independent Auditors' Review Report on the Unaudited Interim Condensed Financial Statements of the Target Company for the Financial Period from 1 January 2023 to 30 June 2023*" as set out in Appendix C to this Circular and the "*Independent Auditors' Assurance Report and the Compilation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2022 and the Six-Month Period Ended 30 June 2023*" as set out in Appendix D to this Circular and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.5 Foo Kon Tan LLP, the independent auditor to the Company for the financial year ended 31 December 2022, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.6 TSMP Law Corporation, the legal adviser in respect of the Proposed Acquisition as to Singapore law, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.7 Cheang & Ariff, the legal adviser in respect of the Proposed Acquisition as to Malaysian law, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.8 Thanathip & Partners Legal Counsellers Limited, the legal adviser in respect of the Proposed Acquisition as to Thai law, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.9 Opal Lawyers LLC, the legal adviser to the Financial Adviser and Sponsor, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion herein of its name and all references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.10 BDO Advisory Pte. Ltd., the internal auditor to the Company in respect of the Proposed Transactions, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name and references thereto in the form and context in which they appear in this Circular and to act in such capacity in relation to this Circular.

33.11 Each of TSMP Law Corporation, Cheang & Ariff and Opal Lawyers LLC does not make or purport to make any statement in this Circular or any statement upon which a statement in this Circular is based and each of them makes no representation regarding any statement in this Circular and, to the maximum extent permitted by law, expressly disclaim and take no responsibility for any liability to any persons which is based on, or arises out of any statement, information or opinion included or omitted from this Circular.

34. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, and the Company and its subsidiaries (save in respect of information pertaining to Serial System, the Vendor and the Target Group) and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular (save for information in respect of Serial System, the Vendor and the Target Group) has been extracted from, published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

35. PROPOSED NEW BOARD'S RESPONSIBILITY STATEMENT

The Proposed New Board collectively and individually accept full responsibility for the accuracy of the information given in the Target Group's Letter to Shareholders and any information in this Circular relating to Serial System, the Vendor and the Target Group in connection with the Proposed Transactions and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about Serial System, the Vendor and the Target Group in connection with the Proposed Transactions (insofar as they relate to Serial System, the Vendor and the Target Group) and the Proposed New Board are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in the Target Group's Letter to Shareholders and any information in this Circular relating to Serial System, the Vendor and the Target Group in connection with the Proposed Transactions has been extracted from, published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Proposed New Board has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Target Group's Letter to Shareholders and this Circular in its proper form and context.

36. FINANCIAL ADVISER AND SPONSOR'S RESPONSIBILITY STATEMENT

To the best of the Financial Adviser and Sponsor's knowledge and belief, this Circular and the Target Group's Letter to Shareholders constitutes full and true disclosure of all material facts about the Proposed Transactions and the Enlarged Group, and the Financial Adviser and Sponsor is not aware of any facts the omission of which would make any statement in this Circular and the Target Group's Letter to Shareholders misleading.

37. MISCELLANEOUS

There has been no public takeover by third parties in respect of the Shares or shares of the Target Group, or by the Company or the Target Group in respect of other companies' shares or units of a business trust which has occurred from the beginning of the most recently completed financial year to the Latest Practicable Date.

Save as disclosed in this Circular and all public announcements made by the Company, the Proposed New Board are not aware of any event which has occurred since the end of the most recently concluded financial year to the Latest Practicable Date, which may have a material effect on the financial position and results of the Company.

38. DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at (a) the registered office of the Company at Lot A020, Level 1, Podium Level Financial Park, Jalan Merdeka 87000 Federal Territory of Labuan, Malaysia and (b) 10 Collyer Quay, #10-01 Ocean Financial Centre, Singapore 049315 for six (6) months from the date of this announcement:

(a) the Implementation Agreement;

(b) the distribution agreements described in the section titled "*Procurement of IT products and computer peripherals*" of the Target Group's Letter to Shareholders;

(c) the Target Thai Company Lease Agreement;

(d) the Target Thai Company SHA;

(e) the Target Thai Company Service Agreement;

(f) Independent Auditors' Report on the Financial Statements for the Financial Years Ended 31 December 2020, 2021 and 2022 of the Target Company as set out in Appendix B to this Circular;

(g) Independent Auditors' Review Report on the Unaudited Interim Condensed Financial Statements of the Target Company for the Financial Period from 1 January 2023 to 30 June 2023 as set out in Appendix C to this Circular;

(h) Independent Auditors' Assurance Report and the Compilation of the Unaudited *Pro Forma* Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2022 and the Six-Month Period Ended 30 June 2023 as set out in Appendix D to this Circular;

(i) the IFA Letter as set out in Appendix E to this Circular;

(j) the Business Valuation Report as set out in Appendix F to this Circular;

(k) the Service Agreement;

(l) the letters of consent referred to in section 33 of this Circular;

(m) the Existing Memorandum and Articles;

(n) the New Memorandum and Articles as set out in Appendix H to this Circular;

(o) the Serial System Deed of Undertaking;

(p) the shared services agreement entered into between Serial System, the Target Company and the Target Thai Company;

(q) the Serial System Non-Compete Undertaking;

(r) the moratorium undertakings in respect of Shares held by Serial System and the Introducer Shares;

(s) the deed of undertaking by FVC; and

(t) the deed of undertaking by Mr Kenny Yap Kim Lee.

39. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Target Group's Letter to Shareholders and the other appendices to this Circular.

Yours faithfully

For and on behalf of the Board of Directors of
AXINGTON INC.

ACHIEVA TECHNOLOGY SDN. BHD.

(Incorporated in Malaysia)
(Company Registration No. 199601017371 (389722-A))

Proposed New Board:

Mr Sean Goh (*Chairman and Non-Executive Director*)
Ms Victoria Goh (*Non-Executive Director*)
Mr Kenny Sim (*Executive Director and CEO*)
Mr Tan Thiam Hee (*Lead Independent Director*)
Mr Kenny Yap Kim Lee (*Independent Director*)
Mr Solomon Tan (*Independent Director*)
Mr Jason Su (*Independent Director*)

Registered Office:

10th floor, Menara Hap Seng
No.1 & 3 Jalan P. Ramlee
50250 Kuala Lumpur
Wilayah Persekutuan,
Malaysia

27 December 2023

To: The Shareholders of Axington Inc.

THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF ACHIEVA TECHNOLOGY SDN. BHD. AND A 49.0% SHAREHOLDING INTEREST IN ACHIEVA DIGITAL (THAILAND) COMPANY LIMITED

1. INTRODUCTION

This letter (the "**Target Group's Letter to Shareholders**") has been prepared by the Target Company for inclusion in the Circular.

Unless the context otherwise requires, all the terms as defined in the Circular shall bear the same meaning when used in the Target Group's Letter to Shareholders.

2. HISTORY

The Target Company was incorporated in Malaysia on 8 June 1996 under the Companies Act 1965 as a private company limited by shares. The Target Company was previously a wholly-owned subsidiary of Achieva Technology Pte. Ltd. (now known as SerialTec Pte. Ltd.) ("**SerialTec**"), which was in turn wholly-owned by Achieva Limited (now known as SUTL Enterprise Limited, a company whose shares are listed on the Mainboard of the SGX-ST).

The Target Thai Company was incorporated in Thailand on 22 May 2023 as a private company limited by shares and will be a dormant company up until Completion. As at the Latest Practicable Date, the Vendor has a 49.0% shareholding interest in the Target Thai Company and the remaining 51.0% shareholding interest in the Target Thai Company is held by Mr Natthawat, a party that is unrelated to the Company, its subsidiaries, its Directors or Substantial Shareholders, the Target Group, or Target Group Directors.

Key Milestones

The key milestones in the growth and development of the Target Company are highlighted chronologically below:

2014 As announced by Serial System on 30 September 2014, Serial System acquired a 49.0% stake in SerialTec (previously known as Achieva Technology Pte. Ltd.), then the holding company of the Target Company, from Achieva Limited (now known as SUTL Enterprise Limited), for an aggregate consideration of approximately S$5.0 million.

At this point in time, the Target Company was a wholly-owned subsidiary of SerialTec and operated as a local in-country reseller and distributor of consumer and enterprise IT products and computer peripherals in Malaysia, with a focus on data storage products such as external hard drives and SSDs.

2016 As announced by Serial System on 27 January 2016, Serial System acquired the remaining 51.0% stake in SerialTec, for an aggregate consideration of approximately S$2.4 million, upon which SerialTec became a wholly-owned subsidiary of Serial System.

2017 In line with the growing interest in custom-build PCs, the Target Company diversified its product offering and commenced the sale of the "AMD" brand of desktop CPUs to complement its existing desktop CPU product offering under the "Intel" brand. In addition, the Target Company commenced distributing computer peripherals including desktop chassis and CPU coolers under the "Thermaltake" brand.

This allowed the Target Company to sell both Intel and AMD desktop CPUs to its customers as well as a range of CPU coolers and desktop chassis, who are principally operators of IT retail stores and system integrators that focus on building bespoke computing systems for clients.

Thermaltake awarded the Target Company the "Best Distributor Award" for 2018.

2019 The Target Company further expanded its product offering by commencing the sale of motherboards manufactured under the "Gigabyte" brand and computer monitors under the "ViewSonic" brand.

2020 The Target Company was awarded by AMD with the "Top Business Growth" Award.

The Target Company commenced selling motherboards and VGA cards under the "MSI" brand.

In addition, the Target Company added computer monitors under the "AOC" and "Philips" brands into their product line-up further bolstering their computer monitor offerings.

Serial System International Pte. Ltd. entered into a joint venture, being the Existing Thai Company, on 4 February 2020 for the managed print business in Thailand. Serial System owns a 49.0% equity interest in the Existing Thai Company, and the remaining 51.0% equity interest is held by Mr Natthawat's mother and a staff of the Existing Thai Company in a 50.99% and 0.01% proportion respectively.

2021 Under an internal restructuring, all of the share capital of the Target Company was transferred from SerialTec to SIFE (i.e., the Vendor).

The Target Company added the "ASRock" brand of motherboards into its stable of brands and added the "Dynabook" digital storage products into its product line-up.

Buoyed by the demand of its new products, as well as the rise of remote working and sustained interest in custom-build PCs, the Target Company achieved a turnover of USD54.2 million in FY2021.

The Target Company was awarded Intel's Asia Pacific & Japan Partner of the Year 2021 for achieving the highest revenue growth for Intel's Client Computing Group (CCG) segment.

2022 The Target Company further diversified its digital storage product line-up by adding the "Apacer" brand of RAM modules and digital storage hardware.

The Target Company branched out into a new product segment and commenced distributing laptop computers under the "MSI" brand. This marked the Target Company's foray into distributing finished goods.

The Existing Thai Company commenced business as a local in-country reseller and distributor of consumer and enterprise IT products and computer peripherals in Thailand ("**Thai IT Consumer Business**") in April 2022.

2023 The Target Thai Company was incorporated and remains, as at the Latest Practicable Date, a dormant company. As at the Latest Practicable Date, the Vendor has a 49.0% shareholding interest in the Target Thai Company and the remaining 51.0% shareholding interest in the Target Thai Company is held by Mr Natthawat, a party that is unrelated to the Company, its subsidiaries, its Directors or Substantial Shareholders, the Target Group, or Target Group Directors.

3. BUSINESS OVERVIEW

3.1 Our business

The Target Company is a local in-country reseller and distributor of consumer and enterprise IT products and computer peripherals in Malaysia, including desktop CPUs, motherboards and VGA cards manufactured by established brands such as AMD, Intel, MSI and Gigabyte. In addition, the Target Company is also the local in-country reseller and distributor for Malaysia for laptop computers that are manufactured under the "MSI" brand. The Target Company's customers include operators of IT retail stores and system integrators that focus on building custom computing systems in Malaysia.

As a local in-country reseller and distributor, the Target Company makes purchases on its own account for resale to its customers, and its profits are derived from the sale of consumer and enterprise IT products and computer peripherals to customers in Malaysia. The Target Company takes possession of its purchases, which are stored at its warehouse, prior to making deliveries to its customers. As such, holding costs, stock obsolescence and credit risks are borne by the Target Company.

In addition, on Completion, the Company will acquire a 49.0% shareholding interest in the Target Thai Company from the Vendor, and the Target Thai Company will commence operating in the Thai IT Consumer Business with effect from Completion. Please refer to the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" of this Target Group's Letter to Shareholders for more information.

3.2 Manufacturers of the IT products and computer peripherals sold by the Target Group

The Target Group sells and/or distributes the key products manufactured by the following Manufacturers:

AMD

AMD is an American multinational semiconductor company based in Santa Clara, California, that develops and manufactures computer processors and related technologies for business and consumer markets. Key products which the Target Company distributes include AMD's desktop CPUs.

The Target Company purchases such products as a local in-country reseller from SMPL, a wholly-owned subsidiary of Serial System. SMPL has been appointed by AMD as a regional distributor under the terms of a commercial distribution agreement dated 1 January 2012 between AMD and SMPL.

With effect from Completion (i) the Target Company will continue to purchase AMD Products from SMPL who will continue as a regional distributor for AMD Products in Malaysia; and (ii) the Target Thai Company will be appointed as a local in-country re-seller for AMD Products in Thailand who will purchase AMD Products from SMPL. The Target Thai Company has obtained in-principle agreement for such appointment from AMD.

The terms of such purchases will be subject to the review procedures under the Proposed IPT Mandate as set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

During the Period Under Review, AMD products comprised 23.8%, 13.8% and 9.0% of the Target Company's revenue for FY2020, FY2021, FY2022 respectively and 7.6% and 10.6% of the Target Company's revenue for 1H2022 and 1H2023 respectively. In respect of the Thai IT Consumer Business which commenced in April 2022, AMD products comprised 30.2% of its revenue for FY2022 and 33.7% and 21.2% of its revenue for 1H2022 and 1H2023 respectively.

AOC

The Target Company distributes the "AOC" brand of LCD monitors, which is manufactured by MMD.

During the Period Under Review, the Target Company purchased such products through SMPL as an intermediary, pursuant to a distribution agreement dated 1 October 2019 between MMD and SMPL.

The Target Company has since entered into the MMD AOC Distribution Agreement (as defined below) and, following the expiration of the three (3)-month interim period after Completion, will enter into a separate, standalone distribution agreement with MMD, (i.e. SMPL will not be a party to such agreement), pursuant to which the Target Company will purchase products directly from MMD. As at the Latest Practicable Date, the Target Company has obtained MMD's in-principle agreement to enter into such distribution agreement.

During the Period Under Review, AOC products comprised 8.5%, 6.1%, 6.8%, 8.2% and 3.8% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

ASRock Inc. is a Taiwanese manufacturer of motherboards, industrial PCs and home theatre PCs (HTPC). Key products which the Target Company distributes include its motherboards and VGA cards.

During the Period Under Review, the Target Company purchased such products through SIFE, a wholly-owned subsidiary of Serial System, as an intermediary.

As ASRock does not typically enter into contractual arrangements with its distributors, SIFE has not entered into, and following Completion, the Target Company will not be entering into a distribution agreement with ASRock. Nonetheless, the Target Company is recognised and listed as its local distributor on the official website of ASRock.

Following the expiration of the three (3)-month interim period after Completion, the Target Company will purchase all such products directly from ASRock. As at the Latest Practicable Date, the Target Company has obtained ASRock's in-principle agreement to such arrangement.

During the Period Under Review, ASRock products comprised 0%, 1.4%, 4.5%, 5.2% and 3.6% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

Dynabook is a Japanese personal computer manufacturer. Key products which the Target Company distributes include its SSDs and its RAM modules.

During the Period Under Review, the Target Company purchased such products through SIFE as an intermediary, pursuant to a distributorship agreement dated 1 January 2021 between Dynabook and SIFE.

The Target Company has since entered into the Dynabook Distribution Agreement (as defined below) and, following the expiration of the three (3)-month interim period after Completion, will enter into a separate, standalone distributorship agreement with Dynabook, (i.e. SIFE will not be a party to such agreement) pursuant to which the Target Company will purchase products directly from Dynabook. As at the Latest Practicable Date, the Target Company has obtained Dynabook's in-principle agreement to enter into such distribution agreement.

During the Period Under Review, Dynabook products comprised 0%, 1.1%, 0.5%, 0.8% and 0.1% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

GIGABYTE™

Gigabyte is a Taiwanese manufacturer and distributor of computers. Key products which the Target Group distributes include its motherboards and its VGA cards.

During the Period Under Review, the Target Company purchased such products through SIFE, a wholly-owned subsidiary of Serial System, as an intermediary.

As Gigabyte does not typically enter into contractual arrangements with its distributors, SIFE has not entered into, and the Target Company will not be entering into, a distribution agreement with Gigabyte. Nonetheless, the Target Company is recognised and listed as its local distributor on the official website of Gigabyte.

Following the expiration of the three (3)-month interim period after Completion, the Target Group will purchase all such products directly from Gigabyte and as at the Latest Practicable Date, the Target Group has obtained Gigabyte's in-principle agreement to such arrangement.

During the Period Under Review, Gigabyte products comprised 21.3%, 28.3%, 23.0%, 30.7% and 14.8% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively. In respect of the Thai IT Consumer Business which commenced in April 2022, Gigabyte products comprised 23.9% of its revenue for FY2022 and 16.2% and 29.7% of its revenue for 1H2022 and 1H2023 respectively.

intel.

Intel Corporation (commonly known as Intel) is an American headquartered multinational corporation and technology company that supplies microprocessors for computer system manufacturers, motherboards, network interface controllers and integrated circuits, flash memory, graphics chips, embedded processors and other devices related to communications and computing. Key products that the Target Group distributes include Intel's desktop CPUs, VGA cards and its "Intel® NUC" line of Mini PCs, kits and boards.

During the Period Under Review, the Target Company purchased such products through SIFE, a wholly-owned subsidiary of Serial System as an intermediary, pursuant to the terms of a distribution agreement dated 1 February 2018 between Intel and SIFE.

Following the expiration of the three (3)-month interim period after Completion, the Target Company will enter into a separate, standalone distributorship agreement with Intel (i.e. SIFE will not be a party to such agreement), pursuant to which the Target Company will purchase products directly from Intel. As at the Latest Practicable Date, the Target Company has obtained Intel's in-principle agreement to enter into such distribution agreement.

During the Period Under Review, Intel products comprised 26.9%, 27.3%, 28.5%, 25.4% and 24.3% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

MSI is a Taiwanese company that designs, develops and manufactures personal computer hardware, including laptops, desktops, motherboards, graphics cards and others. The company has been a sponsor for a number of e-sports teams and also hosts international gaming events. Key products which the Target Company distributes include MSI's motherboards and VGA cards.

During the Period Under Review, the Target Company purchased such products through SMPL as an intermediary, pursuant to a distribution agreement dated 1 January 2020 between MSI and SMPL.

The Target Company has since entered into the MSI Distribution Agreement and, following the expiration of the three (3)-month interim period after Completion, the Target Group will enter into a separate, standalone distributorship agreement with MSI, (i.e. SMPL will not be a party to such agreement) pursuant to which the Target Group will purchase products directly from MSI. As at the Latest Practicable Date, the Target Group has obtained MSI's in-principle agreement to enter into such distribution agreement. On 1 June 2022, the Target Company entered into a separate distribution agreement with MSI under which MSI has appointed the Target Company as a non-exclusive distributor of MSI's laptop products and to market such MSI laptop products within Malaysia.

During the Period Under Review, MSI products comprised 7.1%, 9.9%, 15.5%, 7.9% and 32.8% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively. In respect of the Thai IT Consumer Business which commenced in April 2022, MSI products comprised 0% of its revenue for FY2022 and 0% and 3.6% of its revenue for 1H2022 and 1H2023 respectively.

The Target Group distributes the "Philips" brand of LCD monitors, which is manufactured by MMD.

During the Period Under Review, the Target Company purchased such products through SMPL as an intermediary, pursuant to a distribution agreement dated 1 January 2023 between MMD and SMPL.

Before the end of the expiration of the three (3)-month interim period after Completion, the Target Company will enter into a separate, standalone distribution agreement with MMD (i.e. SMPL will not be a party to such agreement), pursuant to which it will purchase products directly from MMD. As at the Latest Practicable Date, the Target Company has obtained MMD's in-principle agreement to enter into such distribution agreement.

During the Period Under Review, Philips products comprised 4.3%, 4.7%, 5.3%, 7.0% and 2.8% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

Thermaltake is a manufacturer of desktop chassis, power supplies and cooling systems. Key products which the Target Company distributes include its PSUs, desktop chassis and PC cooling systems.

During the Period Under Review, the Target Company purchased such products directly from Thermaltake.

As Thermaltake does not typically enter into contractual arrangements with its distributors, the Target Company has not entered into, and will not be entering into, any distribution agreements with Thermaltake. Nonetheless, the Target Company is recognised and listed as its local distributor on the official website of Thermaltake.

During the Period Under Review, Thermaltake products comprised 2.3%, 1.6%, 1.2%, 1.3% and 1.1% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

ViewSonic specialises in visual display hardware, including LCD monitors, projectors, and interactive whiteboards, as well as digital whiteboarding software. Key products which the Target Company distributes include its range of LCD monitors for home, office and gaming use.

During the Period Under Review, the Target Company purchased such products through SIFE, a wholly-owned subsidiary of Serial System as an intermediary, pursuant to the terms of a distribution agreement dated 1 January 2021 between ViewSonic and SIFE.

Following the expiration of the three (3)-month interim period after Completion, the Target Company will enter into a separate, standalone distributorship agreement with ViewSonic, (i.e. SIFE will not be a party to such agreement) pursuant to which the Target Company will purchase such products directly from ViewSonic. As at the Latest Practicable Date, the Target Company has obtained ViewSonic's in-principle agreement to enter into such distribution agreement.

During the Period Under Review, ViewSonic products comprised 5.2%, 4.7%, 5.6%, 5.9% and 5.8% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

Apacer

Apacer Technology Inc. is a Taiwanese multinational corporation that designs and markets consumer electronics, memory modules and digital storage hardware and software. Key products which the Target Group distributes include its RAM modules and SSDs.

During the Period Under Review, the Target Company purchased such products through SIFE, a wholly-owned subsidiary of Serial System as an intermediary, pursuant to a distribution agreement dated 1 January 2023 between Apacer and SIFE.

Following the expiration of the three (3)-month interim period after Completion, the Target Group will enter into a separate, standalone distributorship agreement with Apacer, (i.e. SIFE will not be a party to such agreement) pursuant to which the Target Group will purchase products directly from Apacer. As at the Latest Practicable Date, the Target Group has obtained Apacer's in-principle agreement to enter into such distribution agreement.

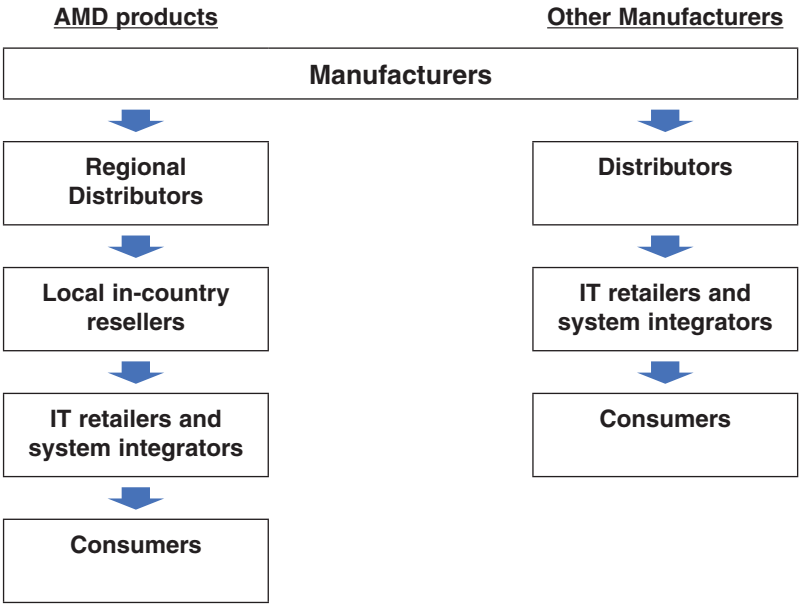
During the Period Under Review, Apacer products comprised 0%, 0%, 0.1%, 0.1% and 0.3% of the Target Company's revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively. In respect of the Thai IT Consumer Business which commenced in April 2022, Apacer products comprised 10.3% of its revenue for FY2022 and 13.3% and 7.4% of its revenue for 1H2022 and 1H2023 respectively.

3.3 Procurement of IT products and computer peripherals

Target Company

The Target Company is a local in-country reseller and distributor of consumer and enterprise IT products and computer peripherals in Malaysia, including desktop CPUs, motherboards and VGA cards manufactured by the Manufacturers.

Value chain for the distribution and sale of IT products and computer peripherals



(a) Distribution model for AMD products

AMD appoints distributors on a non-exclusive basis to sell its desktop CPUs (the "**AMD Products**") within a region or a country. Such regional distributors will purchase AMD Products from AMD and sell such AMD Products to local in-country resellers located in that specified region or country that have been authorised by AMD, on a non-exclusive basis. In turn, such authorised local in-country resellers are permitted to purchase AMD Products from the regional distributors and are authorised by AMD to sell AMD Products to local IT retailers and system integrators. The regional distributors do not have absolute control over prices. Instead, AMD sets a recommended price range for the sale of the AMD Products by the regional distributors to the local resellers.

Consumers would only be able to purchase AMD products from such local IT retailers and system integrators; the regional distributors and the local in-country resellers are not authorised to sell AMD Products direct-to-consumer.

In this regard, SMPL, the wholly-owned subsidiary of Serial System, has been appointed as one of the regional distributors of AMD Products in certain countries in Southeast Asia (including Indonesia, Singapore, Thailand and Vietnam) and Japan and the Target Company has been authorised by AMD as a local in-country reseller for Malaysia pursuant to a commercial distribution agreement dated 1 January 2012, as amended by an amendment agreement dated 7 July 2020 between SMPL and AMD. Pursuant to such commercial distribution agreement, SMPL sells AMD Products to its local in-country resellers in such countries, including the Target Company and other local in-country resellers in Malaysia. The Target Company purchases AMD Products from SMPL at the same prices (without any administrative fee charged by SMPL) as other local resellers and sells such AMD Products to IT retailers and system integrators in Malaysia. For the avoidance of doubt, SMPL does not sell AMD Products to the customers of the Target Company.

From time to time, and subject to the local in-country resellers meeting the sales targets set by AMD for a particular period, AMD would grant incentive rebates to its local in-country resellers. Such incentive rebates are paid directly to the local in-country resellers. The Target Company, being a local in-country reseller, will send weekly sales reports directly to AMD and, subject to the Target Company meeting such sales targets, AMD then pays these incentive rebates directly to the Target Company. AMD does not pay the incentive rebates to SMPL.

Post Completion, the Target Company, as a local in-country reseller, will continue to purchase AMD Products from SMPL as the regional distributor of AMD Products. The terms of the purchases of AMD Products will be subject to the review procedures under the Proposed IPT Mandate as set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

The decision to appoint regional distributors lies with AMD. AMD has not indicated that it intends to appoint the Target Group as a regional distributor of AMD Products post-Completion. To the Target Group's knowledge, it is not in line with AMD's existing policies to appoint local in-country resellers as regional distributors.

(b) Distribution model for Non-AMD Products

In relation to the IT products and computer peripherals that are manufactured by the other Manufacturers and distributed by the Target Company (the "**Non-AMD Products**"), Manufacturers typically appoint authorised distributors to sell directly to IT retailers and system integrators in certain regions or countries on a non-exclusive basis.

Generally, a Manufacturer will appoint more than one distributor for any particular region or country to distribute its products. The distributors are required to sell the products at the prices recommended by the Manufacturers and consumers would only be able to purchase such products from local IT retailers and system integrators; the distributors are generally not authorised to sell such products direct-to-consumer. For instance, Intel has appointed multiple distributors for Malaysia, all of whom are recognised as authorised distributors and permitted to sell desktop CPUs manufactured by Intel to IT retailers and system integrators in Malaysia.

By virtue of it being a Malaysia-incorporated subsidiary of the Serial System Group, the Target Company has been recognised as an authorised distributor in Malaysia by AOC, Dynabook, Intel, ASRock, Gigabyte, Thermaltake and ViewSonic in Malaysia and has been listed by such Manufacturers as an authorised distributor on such Manufacturer's websites. This includes Manufacturers namely Gigabyte, ASRock and Thermaltake that do not enter into long term contractual arrangements with the Target Company. This is in line with market practice, as not all Manufacturers require distributors to enter into long term contractual arrangements. The Target Company sells such Non-AMD Products to IT retail stores and system integrators in Malaysia.

Historically, the Target Company, as a member of the Serial System Group, purchases all of its Non-AMD Products through SMPL and SIFE as its intermediaries, both indirect wholly-owned subsidiaries of Serial System. In view of the overall financial strength of the Serial System Group, SMPL and SIFE purchases such Non-AMD Products as intermediaries exclusively for and on behalf of the Target Company from the following Manufacturers:

- Intel, in relation to its desktop CPUs, for Singapore, Malaysia and Indonesia, pursuant to a distribution agreement between Intel and SIFE dated 1 February 2018;

- Apacer, in relation to its RAM modules and SSDs, for Thailand, Malaysia and Japan, pursuant to a distribution agreement between Apacer and SIFE dated 1 January 2023;

- Viewsonic, in relation to its LCD monitors, for Malaysia, pursuant to the terms of a distribution agreement between Viewsonic and SIFE dated 1 January 2021;

- Philips, in relation to its LCD monitors, for Malaysia, pursuant to the terms of a distribution agreement between MMD and SMPL dated 1 January 2023;

- AOC, in relation to its LCD monitors, pursuant to the terms of a distribution agreement between MMD and SMPL dated 1 October 2019;

- MSI, in relation to its motherboards and VGA cards, for Malaysia, pursuant to the terms of a distribution agreement between MSI, SMPL and the Target Company dated 1 January 2020, as amended by an amendment agreement dated 1 April 2020;

- Dynabook, in relation to Dynabook branded SSDs, for Malaysia, pursuant to the terms of a non-exclusive distributorship agreement between SIFE and Dynabook dated 1 January 2021;

- Gigabyte, in relation to its motherboards, for Malaysia and Thailand. As Gigabyte does not typically enter into contractual arrangements with its distributors, the Serial System Group has not entered into any distribution agreements with Gigabyte; and

- ASRock, in relation to its motherboards and VGA cards. As ASRock does not typically enter into contractual arrangements with its distributors, the Serial System Group has not entered into any distribution agreements with ASRock.

In relation to Thermaltake, the Target Company distributes its desktop chassis, power supplies and cooling systems and purchases such products directly from Thermaltake. As Thermaltake does not typically enter into contractual arrangements with its distributors, the Target Company has not entered into any distribution agreements with Thermaltake.

In relation to the Manufacturers which are not in the practice of entering into contractual arrangements with its distributors, namely, Gigabyte, ASRock and Thermaltake, the Target Company is of the view that such lack of contractual arrangements is not detrimental to the Target Company as (i) such Manufacturers are not in the practice of entering into contractual arrangements with all its distributors; (ii) the Target Company would not be able to compel such Manufacturers to enter into such contractual arrangements, and in the event the Target Company does require such Manufacturers to enter into such contractual arrangements, such Manufacturers may elect to supply products to another distributor instead of the Target Company. In any case, the Target Company is recognised and has been listed as a local distributor on the official websites of these Manufacturers. The Target Company notes that of the three (3) Manufacturers, only Gigabyte is a major supplier of the Target Company and supplies motherboards and VGA cards to the Target Company. The Target Company also purchases motherboards and VGA cards from other manufacturers, including MSI, in relation to which the Target Company purchases such products from MSI under the MSI Distribution Agreement (as defined below). Following the expiration of the three (3)-month interim period after Completion, the Target Group will enter into a separate, standalone distributorship agreement with MSI, (i.e. SMPL will not be a party to such agreement) pursuant to which the Target Group will purchase products directly from MSI. As at the Latest Practicable Date, the Target Group has obtained MSI's in-principle agreement to enter into such distribution agreement. The Target Company has also entered into a separate distribution agreement with MSI on 1 June 2022 under which MSI has appointed the Target Company as a non-exclusive distributor of MSI's laptop products and to market such MSI laptop products within Malaysia. Please refer to the section titled "*Major Customers and Suppliers – Major Suppliers*" for more information.

SMPL and SIFE purchase the Non-AMD Products as intermediaries. Neither SMPL nor SIFE sells Non-AMD Products to (a) any third-party IT retailers or system integrators, whether in Malaysia, Thailand or otherwise; or (b) any of the customers of the Target Company and Existing Thai Company in Malaysia or Thailand. The Target Company purchases such Non-AMD Products, from SIFE and SMPL at cost plus a nominal administrative fee and carries out the distribution activities in Malaysia by selling such Non-AMD Products to IT retailers and system integrators in Malaysia and Thailand.

As the Target Company did not have any direct contractual arrangements with its Manufacturers during the period where it was part of the Serial System Group, in connection with the Proposed Transactions and the intention to reduce reliance on the Serial System Group, the Target Company had engaged with its Manufacturers and, in view of the Target Company's track record, the Manufacturers have entered into the following distribution agreements with the Target Company, under which it will have a right to directly purchase IT products and computer peripherals from the Manufacturers:

(1) Under a distribution agreement dated 1 October 2019 between MMD, SMPL and the Target Company, as amended by an addendum letter dated 27 April 2023, MMD has appointed the Target Company as a non-exclusive distributor in Malaysia for LCD monitors under the "AOC" brand. The appointment is for a one (1)-year term and may be renewed for an additional one (1) year period upon mutual written agreement between the parties. The distribution agreement may be terminated at any time provided the terminating party gives the other parties at least sixty (60) days' notice of its intention to terminate prior to the termination or expiry of the distribution agreement ("**MMD AOC Distribution Agreement**").

(2) Under a distributorship agreement dated 1 January 2021 between Dynabook, SIFE and the Target Company, as amended by an addendum letter dated 20 April 2023, Dynabook has appointed the Target Company as a non-exclusive distributor of the "Dynabook" branded SSDs in Malaysia. The initial appointment is for a one (1)-year term and may be renewed for succeeding one (1)-year terms if the parties agree in writing upon the terms and conditions for such renewal, including a minimum purchase amount, at least one (1) month prior to the expiration of the initial or the subsequent extended term. The distribution agreement may be terminated by Dynabook giving thirty (30) days' notice upon the occurrence of certain events, including if the Target Company fails to attain the annual minimum purchase for the term or if Dynabook enters the Malaysian market directly (the "**Dynabook Distribution Agreement**").

(3) Under a distribution agreement dated 1 January 2020 between MSI, SMPL and the Target Company, as amended by an amendment agreement dated 1 April 2020, the Target Company has been appointed by MSI as a non-exclusive distributor of MSI's motherboards and VGA cards and offers such products for sale in Malaysia. The initial appointment is for a period of one (1) year and will automatically renew for successive one (1)-year terms, unless otherwise terminated. Any party is entitled to terminate the agreement by the giving of thirty (30) days' prior written notice. The distribution agreement immediately terminates if any party commits a material breach or ceases to conduct business in the normal course, or assigns or otherwise transfers its rights without the other party's written consent ("**MSI Distribution Agreement**").

(4) On 1 June 2022, the Target Company entered into a distribution agreement with MSI, under which MSI appointed the Target Company as a non-exclusive distributor of MSI's laptop products and to market such MSI laptop products within Malaysia. The initial term of the agreement is for one (1) year and will automatically renew for successive one (1)-year terms thereafter, unless otherwise terminated. Any party is entitled to terminate the agreement by the giving of thirty (30) days' prior written notice. The distribution agreement immediately terminates if any party commits a material breach or ceases to conduct business in the normal course, or assigns or otherwise transfers its rights without the other party's written consent.

None of the above distribution agreements make reference to Serial System's shareholding interest in the Target Company.

In relation to its other non-AMD Manufacturers, as at the Latest Practicable Date, the Target Group has engaged with such other Non-AMD Manufacturers and have obtained such other Non-AMD Manufacturers' in-principle agreement for the Target Group to purchase its Non-AMD Products directly from such Non-AMD Manufacturers instead of through SIFE and SMPL as intermediaries. The Target Group expects to be able to purchase all of its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion. To the extent that such Manufacturers would require the Target Group to enter into distribution contracts, the Target Group will ensure that such contracts will be entered into between the Target Group and the Manufacturer, and neither SIFE nor SMPL will be a party to such contracts. In order to facilitate such transition, during this three (3)-month interim period, the Target Group intends to continue purchasing Non-AMD Products through SIFE and SMPL at cost and SIFE and SMPL will not charge any administrative fee. Such transactions will be subject to the requirements under Chapter 9 of the Catalist rules and the guidelines and procedures highlighted in the IPT Mandate set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

The Target Group does not foresee any difficulties in purchasing all of its Non-AMD Products directly from the Manufacturers before the end of the three (3)-month interim period without any additional financing from Serial System in view of the additional working capital that would be made available as a result of the Proposed Capitalisation.

In the event that the arrangement for the Target Group to purchase Non-AMD Products directly from the Manufacturers is delayed, the Target Group will announce such delay on SGXNet and will continue purchasing Non-AMD Products through SIFE and SMPL as intermediaries and such purchases at cost (without any administrative fee) for and on behalf of the Target Group and will continue to be subject to the review procedures under the Proposed IPT Mandate, and therefore is not expected to have any impact on the Target Group operationally and financially.

Following the expiration of the three (3)-month interim period, the Target Group will purchase Non-AMD Products directly from the Manufacturers and as such, will not seek a renewal of the Proposed IPT Mandate for the purchase of IT products and computer peripherals from the Mandated Interested Persons.

Notwithstanding the above, in the event that any of the Manufacturers ceases to sell its IT products and computer peripherals to the Target Group, the Target Group has, by virtue of the range of products offered, the ability to offer its customers comparable substitutes, and, as such, such cessation is not likely to have a material impact on the Target Group's operation and/or financials. For example, the Target Group carries two (2) brands of CPUs (being AMD and Intel), LCD monitors (being ViewSonic and Philips), RAM modules (Apacer and Dynabook) and three (3) brands of motherboards and VGA cards (MSI, Gigabyte and ASRock). In addition, the Target Group would be able to source for other suppliers as a substitute or alternative brands for each product category.

Please refer to the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders. Save for the above, the Target Company has not entered into any other contractual arrangements with its Manufacturers.

In addition, subject to the Target Company meeting the stipulated sales targets, certain Manufacturers would pay incentive rebates to the Target Company. In order to qualify for such incentive rebates, the Target Company would send weekly sales reports directly to the Manufacturers. If the Manufacturer is satisfied that its sales targets are met, the Manufacturer would issue credit notes to SMPL and SIFE which in turn passes on such incentive rebates to the Target Company by issuing credit notes for the same amounts to the Target Company. For avoidance of doubt, SMPL and SIFE do not retain such incentive rebates and instead pass the full amount of such incentive rebates on to the Target Company.

Please refer to the sections titled "*Potential Conflicts of Interest – Serial System and its subsidiaries*" and "*Mitigation of Potential Conflicts of Interest – Serial System Non-Compete Undertaking*" of this Target Group's Letter to Shareholders for more information on the purchases of IT products and computer peripherals by the Target Group from the Serial System Group.

Target Thai Company

The Existing Thai Company has been appointed as a non-exclusive distributor by MSI to sell motherboards, VGA cards, chassis, PSUs, liquid coolers, chairs and other IT products and peripherals manufactured under the "MSI" brand in Thailand.

Pursuant to the terms of the Implementation Agreement, the Target Thai Company will enter into the MSI Novation Agreement prior to Completion, pursuant to which the Target Thai Company, the Existing Thai Company and MSI have agreed that, with effect from Completion, the Existing Thai Company will be substituted by the Target Thai Company under the existing distribution agreement between MSI and the Existing Thai Company dated 1 January 2023.

Please refer to the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" of this Target Group's Letter to Shareholders for more information.

The Existing Thai Company has also been appointed as a local in-country reseller by AMD and purchases AMD Products from SMPL. In addition, the Existing Thai Company purchases Non-AMD Products through SIFE for its existing business in Thailand at cost. In connection with such purchases, SIFE charges a 0.1% administrative fee based on the cost of the products purchased. Upon Completion, the Target Thai Company will operate in the Thai IT Consumer Business and will purchase Non-AMD Products from SIFE during a three (3)-month interim period following Completion. SIFE will not charge any administrative fee during this three (3)-month interim period. The terms of the purchases of such products will be subject to the review procedures under the Proposed IPT Mandate as set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders. Following the expiration of such three (3)-month interim period, the Target Thai Company will purchase all of its Non-AMD Products directly from the Manufacturers.

In addition, under the terms of the Implementation Agreement, during the one (1)-year Transition Period (as defined below) commencing on Completion, while the Target Thai Company will endeavour to purchase the inventory required to fulfil orders from its suppliers (which includes purchases through SMPL and/or SIFE during the three (3)-month interim period following Completion), in the event the Target Thai Company is unable to do so for whatever reason or the Existing Thai Company has inventory that would enable the Target Thai Company to fulfil such orders, the Target Thai Company will have the right to purchase such inventory from the Existing Thai Company at book value. Please refer to section title "*Potential Conflicts of Interest – Thai IT Consumer Business*" for more information.

As at the Latest Practicable Date, the Existing Thai Company has obtained confirmations from AMD, for the appointment of the Target Thai Company as an authorised local in-country reseller, and from Gigabyte and Apacer, for the appointment of the Target Thai Company as a distributor in Thailand, with effect from Completion.

3.4 Marketing

Target Company

The Target Company's product marketing team is in charge of maintaining the business relationship between the Target Company and its Manufacturers and works directly with its Manufacturers on inventory management, pricing, sales strategies and sales targets. All of the marketing activities are carried out by the Target Company and neither SMPL nor SIFE engages in any marketing activities. SMPL and SIFE do not partake in any of the day-to-day communications on pricing, products, sales strategies and sales targets with the Manufacturers which are solely managed by the sales and marketing team of the Target Company.

As at the Latest Practicable Date, the Target Company's product marketing team comprises five (5) product managers in Malaysia. Generally, the Target Company's product marketing team would place orders with its Manufacturers, based on its current level of inventory and anticipated demand of its products. As SIFE and SMPL are contractual parties with certain of the Manufacturers, in relation to such products, the Target Company will place orders for such products through SIFE and SMPL as intermediaries. Following this, SIFE and SMPL will purchase the IT products and computer peripherals for and on behalf of the Target Company from the Manufacturers.

Typically, the Target Company would receive shipment of the products ordered within one (1) to three (3) weeks from the date the order is placed. The product marketing team also has engagement sessions with its suppliers to ensure that its suppliers would be able to meet its inventory requirements for any particular order.

Certain of the Manufacturers would typically set sales targets for the Target Company to achieve each financial year. These sales targets are typically pre-determined before the start of the year based on discussions and negotiations between the parties and the prevailing economic conditions. In the event the Target Company meets such sales targets, it would be entitled to incentive rebates paid by the Manufacturers. Taking into consideration of the amount and types

of IT products and computer peripherals sold during any period and the nature of the incentives scheme offered by the Manufacturers (which may change from time to time), the proportion of incentive income over revenue of the Target Company would vary from year to year.

The product marketing team is also notified in advance of any new product launches and works with the sales team in relation to the introduction of new products and/or product lines. From time to time, the Target Company's suppliers may undertake co-marketing efforts under which its suppliers would extend credit to the Target Company in order for the Target Company to provide discounts on the selling price of products, rebates to end-customers or to enable the Target Company to bundle certain complementary products as a package.

In relation to the IT products and computer peripherals purchased directly from the Manufacturers, the typical credit terms extended by the Manufacturers range from thirty (30) to forty-five (45) days. In relation to IT products and computer peripherals purchased from regional distributors (including SMPL and SIFE), typical credit terms extended range from thirty (30) to ninety (90) days.

Target Thai Company

Under the terms of the Implementation Agreement, twenty-eight (28) employees of the Existing Thai Company (including Mr Natthawat), who as at the Latest Practicable Date, are involved in the Existing Thai Company's operation of the Thai IT Consumer Business, will commence employment with the Target Thai Company with effect from Completion on terms no less favourable than their existing employment terms offered by the Existing Thai Company.

Such employees include the Existing Thai Company's marketing team comprising two (2) product managers, who are based in Thailand. Please refer to the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" of this Target Group's Letter to Shareholders for more information.

3.5 Sales

Target Company

The Target Company's customers are principally established IT products and computer peripheral retailers with chain outlets in Malaysia. As at the Latest Practicable Date, the Target Company's sales team comprises five (5) sales representatives and one (1) sales manager, all of whom are based in Malaysia. The Target Company's sales team is responsible for engaging and liaising with its customers in Malaysia and serves as a point of contact between the Target Company and its customers. The sales team is principally in charge of overseeing the business relationship between the Target Company and its customers. In addition, the sales team is in charge of identifying prospective customers while supporting existing customers with information and assistance that relates to the Target Company's products and services.

In addition, the Target Company's social media team that maintains its presence on the various social media platforms which the Target Company leverages on to drive engagement with its customers.

The business model adopted by the Target Group is on a business-to-business basis (B2B) and its customers are local IT retailers and system integrators which then serve the end retail and corporate customers through their outlets and on e-commerce platforms. The Target Group does not view expansion into e-commerce as a material strategy moving forward in view of the following factors: (a) The Target Group does not sell the products directly to the end retail and corporate customers; (b) The Target Group avoids being perceived as competing with its customers; and (c) The Target Group is cautious of the challenges faced by the last-mile delivery for e-commerce business.

Target Thai Company

The Target Thai Company's customers will be IT products and computer peripheral retailers with chain outlets in Thailand, and, under the terms of the Implementation Agreement, the Existing Thai Company's sales team, comprising five (5) sales representatives at the Latest Practicable Date, will commence employment with the Target Thai Company with effect from Completion on terms no less favourable than their existing employment terms offered by the Existing Thai Company. Please refer to the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" of this Target Group's Letter to Shareholders for more information.

The Target Thai Company's sales team will be responsible for engaging and liaising with its customers in Thailand and will serve as a point of contact between the Target Thai Company and its prospective customers. Its sales team will principally be in charge of overseeing the business relationship between the Target Thai Company and its prospective customers.

3.6 Logistics, Quality Assurance and Return Material Authorisation (RMA)

Target Company

The Target Company's Logistics and Quality Assurance team comprises seven (7) employees in Malaysia.

The Target Company has two (2) main stages of quality control for the products which it purchases, namely in-coming inspections when the Target Company purchases the products and out-going pre-delivery inspections. The Target Company carries out in-coming inspections when it purchases and receive the goods from its suppliers. The Target Company conducts visual inspection on the products delivered to ensure that the products delivered match the Target Company's orders and the packaging is not damaged in-transit before accepting delivery. Before delivery of the products to the Target Company's customers, it conducts pre-delivery inspections of the product packaging to ensure that there is no damage to the external packaging of the products.

The Target Company's Logistics and Quality Assurance team also handles the delivery of products to its customers. From time to time and as may be required, the Target Company may rely on third party delivery services in order to deliver its products to its customers.

The manner in which the Target Company deals with defective products depends on the type of product and the particular supplier which the Target Company purchases its products from.

For instance, certain of the Target Company's suppliers operate service centres in Malaysia. In the event an end-customer experiences a defect or a malfunction, the end-customer would typically return such defective products to the service centre, who will at first instance attempt to rectify the defect, failing which the end-customer would typically be entitled to an exchange. This process does not involve the Target Company.

Other suppliers may not have a local service centre presence. In such an instance, end-customers would bring their defective products to the Target Company's offices, which will be processed by the Target Company's Return Material Authorisation (RMA) team, which comprises two (2) employees. The RMA team will conduct basic troubleshooting checks on the defective product and will attempt to rectify the defect. In the event the RMA team is unable to rectify a defect, it would return the defective product to the Target Company's supplier. In such instance, the end-user would typically be entitled to an exchange, and vis-à-vis the supplier, the Target Company would be entitled to credit.

In a minority of cases, the Target Company is required by its supplier to convey any defective products to the supplier's factory for the supplier to conduct troubleshooting checks and repairs, at its own cost. Upon receipt such supplier will rectify the defect and will convey the repaired product back to the Target Company, at the supplier's own cost.

The Target Company may also receive feedback in relation to the products from its customers. The Target Company will review and act on such feedback to improve its products and services.

Target Thai Company

Under the terms of the Implementation Agreement, all of the Existing Thai Company's logistics and quality and assurance team, all of whom are based in Thailand, will commence employment with the Target Thai Company with effect from Completion on terms no less favourable than their existing employment terms offered by the Existing Thai Company. Please refer to the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" of this Target Group's Letter to Shareholders for more information.

The Target Thai Company's logistics and quality assurance team will be in charge of quality control for the products it purchases, including conducting in-coming inspections and out-going pre-delivery inspections and delivery of products to its customers.

4. COMPETITION AND COMPETITIVE STRENGTHS

4.1 Competition

The Target Company's business is highly competitive. We believe that the principal competitive factors in the Target Company's industry include the distribution network, the range of products distributed, the brands represented and product bundling strategies adopted by each competitor as well as level of service provided.

The Target Company considers its competitors in Malaysia to include Adventure Multi Devices Sdn Bhd, Ingram Micro Malaysia Sdn Bhd, WPG C&C (Malaysia) Sdn Bhd, Servex (Malaysia) Sdn Bhd, Ban Leong Technologies Sdn Bhd and Nation-Tech Sdn Bhd.

The Target Thai Company will operate the Thai IT Consumer Business with effect from Completion. The Target Thai Company considers SVOA Company Limited and Synnex (Thailand) Public Company Limited as its competitors in Thailand.

4.2 Competitive Strengths

The Target Company is able to compete effectively due to the following competitive strengths:

The Target Company has a strong reputation in the market and is known for providing a high level of service to its customers

The Target Company has operated in Malaysia since 1996 and is well known for its high level of service standards. The Target Company has dedicated sales teams in Malaysia, and each customer is assigned a dedicated sales representative in order to facilitate rapport and deepen relationships between the Target Company and the customer. The Target Company also endeavours to fulfil each order received in as short a time as possible. For its business in Malaysia, depending on the type of product and availability of inventory, orders are fulfilled within one (1) to two (2) business days, and depending on where the customer is located and the time the order is processed, the customer can expect to receive delivery of the products on the same day at the earliest. The Target Company believes that its focus on the customer service standards have contributed to its growth thus far and will continue to drive growth moving forward.

The Target Company offers a broad range of products

The Target Company has a diversified product portfolio and as at the Latest Practicable Date distributes a broad range of products manufactured by established brands such as Intel, MSI and Gigabyte. Desktop PCs comprise a motherboard, which in turn is designed to support specific components, including CPUs, RAM modules, storage interfaces for solid-state drive, cooling fans and VGA cards. These are housed in a desktop chassis, and accompanied by monitors, keyboards and mice. The Target Company offers at least one (1) product in each category necessary for the assembly of desktop PCs. This has allowed it to aggressively target the custom-build PC market as well as the remote working market in Malaysia. In addition, in the fourth quarter of FY2022, the Target Company commenced distribution of laptops manufactured under the "MSI" brand, marking its first foray into the distribution of laptop computers.

In particular, the Target Company's diversified product portfolio has allowed it to pursue a product bundling strategy, under which it packages complementary products as a group of items which are purchased together at a lower price than if purchased individually. For example, the Target Company would be able to offer three (3) distinct brands of motherboards and two (2) leading brands of desktop CPUs to its customers and would be able to bundle these together as a package. The Target Company believes this bundling strategy, which encompasses a broad range of leading products, gives it an edge over its competitors.

The Target Company has strong relationships with its suppliers and customers

The Target Company believes that building and maintaining strong relationships with its customers and suppliers is crucial to its long-term success. The Target Company is committed to building strong relationships through assigning a dedicated product manager to each supplier, as well as a specific sales representative for each customer, to facilitate rapport and deepen relationships.

Our suppliers are also well recognised by consumers in the markets in which the Target Company operates. Leveraging on the Target Company's strong relationships with its suppliers, the Target Company believes that it is able to build on its existing working relationship with them to expand domestically and regionally.

The Target Company has an experienced management team with proven track record

The Target Company has a proven and experienced management team that endeavours to continuously pursue excellence in every aspect of its business, in particular in the areas of product and process innovation and operational efficiency enhancement.

The Target Group is led by the Proposed Executive Director and CEO, Mr Kenny Sim, who has over sixteen (16) years of experience in the electronics distribution business as the CEO of WE Holdings Ltd, prior to joining the Target Company in 2022. WE Holdings Ltd (now known as Accrelist Ltd.) is a company listed on the Catalist Board of the SGX-ST and, while Mr Sim was its CEO, it was a distributor of electronic products in Singapore and Southeast Asia and a system integration and business consultancy for turnkey electronic solutions. In addition, he is assisted by the Target Group's Group General Manager, Mr Jason Soh, who has been overseeing the Target Company's business and operations since 2018, and who has been instrumental to the Target Company's growth and expansion of the Target Group in recent years, and Mr Natthawat, who will, on Completion, be the Target Group's General Manager (Thailand). Mr Natthawat is presently the Existing Thai Company's Managing Director and led its expansion into Thailand. Mr Kenny Sim oversees the Target Group's business and strategic planning and expansion and is assisted by Mr Soh who is in charge of the management, sales, overseas operations, facilities and maintenance of the Target Company. Mr Natthawat is in charge of the overall operations of the Existing Thai Company and will, on Completion, be in charge of the overall operations of the Target Thai Company. Mr Natthawat will report directly to Mr Jason Soh.

5. MAJOR CUSTOMERS AND SUPPLIERS

5.1 Major Customers

Target Company

The Target Company distributes a broad range of IT products and computer peripherals to a wide customer base. These include resellers such as retailers and chain stores, corporate resellers and system integrators, some of which are located in IT malls.

The following customers accounted for 5.0% or more of the Target Company's total revenue in FY2020, FY2021, FY2022 and 1H2023:

Name of customer	Products supplied	As a percentage of the Target Company's total revenue (%)			
		FY2020	FY2021	FY2022	1H2023
SNS Network (M) Sdn Bhd	IT products and computer peripherals under the Intel, AOC, ASRock, MSI, Gigabyte, ViewSonic and AMD brands	16%	16%	11%(1)	11%(1)
Buildtron Technology Sdn Bhd	IT products and computer peripherals under the Gigabyte, Intel, MSI, ASRock, ViewSonic and AMD brands	12%	8% (2)	2%(2)	1%(2)
GMC Worldwide Sdn Bhd	IT products and computer peripherals under the Gigabyte, Intel, AMD, MSI and ViewSonic brands	6%	8%	5%(3)	3%(3)
Brightstar Computer Sdn Bhd	IT products and computer peripherals under the Gigabyte, Intel, ASRock, AMD, MSI and Philips brands	3%	7%	8%	7%
C-Zone Sdn Bhd	IT products and computer peripherals under the Gigabyte, Intel, MSI, AMD, ASRock and AOC brands	6%	6%	8%	5%(4)
Viewnet Computer System Sdn Bhd	IT products and computer peripherals under the Intel, Gigabyte, AMD, ASRock, ViewSonic, Thermaltake and MSI brands	5%	5%	3%	2%
Just IT Technology	IT products and computer peripherals under the Intel, Gigabyte, AOC, ASRock and AMD brands	4%	4%	7%	7%
P.C. Image Electronic Sdn Bhd	IT products and computer peripherals under the Gigabyte, Intel, AOC, ViewSonic and MSI brands	3%	4%	4%	5%

Notes:

(1) The sales of IT products and computer peripherals to SNS Network (M) Sdn Bhd ("**SNS**") fell from 16% of the Target Company's total revenue in FY2021 to 11% in FY2022 and 1H2023 as SNS had undertaken a review of their business and consequently rationalised their product offering.

(2) Buildtron Technology Sdn Bhd ("**Buildtron**") primarily sells its IT products and computer peripherals on e-commerce platforms such as Shopee and Lazada. As a result of the e-commerce platforms increasing their charges on vendors and a relaxation of COVID-19 restrictions, Buildtron had downsized its e-commerce business which consequently resulted in a fall in purchases from the Target Company in FY2021, FY2022 and 1H2023.

(3) Prior to FY2022, GMC Worldwide Sdn Bhd ("**GMC**") purchased IT products and computer peripherals from the Target Company to on-sell to consumers in smaller cities in Malaysia. With effect from FY2022, GMC commenced acting as an in-country reseller for other brands of motherboards and VGA cards, which resulted in a fall in purchases from the Target Company in FY2022 and 1H2023.

(4) The sale of IT products and computer peripherals to C-Zone Sdn Bhd ("**C-Zone**") fell from 8% of the Target Company's total revenue in FY2023 to 5% in 1H2023 as C-Zone entered into alternative arrangements with other suppliers, which allowed it to purchase IT products and computer peripherals from such other suppliers.

The Target Company has not entered into any long-term contracts with and is not dependent on any of its major customers as there are many other IT retail stores and system integrators in Malaysia that the Target Company would be able to market and/or sell to.

None of the Proposed New Board, Proposed New Executive Officers or Substantial Shareholders or their respective associates has any interest, direct or indirect, in any of the Target Company's customers.

To the best of the Proposed New Board's knowledge and belief, there are no arrangements or understanding with any customers pursuant to which any of the Proposed New Board and the Proposed New Executive Officers were appointed.

As at the Latest Practicable Date, the Proposed New Board is not aware of any information or arrangement which would lead to a cessation or termination of the Target Group's relationship with any of the major customers listed above.

Target Thai Company

In FY2022, the Existing Thai Company operated in the Thai IT Consumer Business from April 2022 to December 2022 and recorded a revenue of USD7.4 million and in 1H2023, from 1 January 2023 to 30 June 2023 recorded a revenue of USD13.0 million.

Name of customer	Products supplied	As a percentage of the Thai IT Consumer Business' total revenue (%)	
		FY2022	1H2023
Advice IT Infinite Public Company Ltd	IT products and computer peripherals under the Gigabyte, Apacer and AMD brands	53.3%(1)	52.5%(1)
I Have CPU Co. Ltd.	IT products and computer peripherals under the PNY and Gigabyte brands	12.3%(2)	20.5%(2)
Jib Computer Group Co. Ltd.	IT products and computer peripherals under the Gigabyte and AMD brands	1.5%(3)	7.4%(3)

Notes:

(1) The sale of IT products and computer peripherals under the Gigabyte, Apacer and AMD brands to Advice IT Infinite Public Company Ltd contributed approximately USD3.96 million and USD6.83 million representing 53.3% and 52.5% of the revenue of the Thai IT Consumer Business in FY2022 and 1H2023 respectively. The Existing Thai Company has not entered into any long-term contract with Advice IT Infinite Public Company Ltd.

(2) The sale of IT products and computer peripherals under the PNY and Gigabyte brands to I Have CPU Co. Ltd. contributed approximately USD0.92 million and USD2.66 million representing 12.3% and 20.5% of the revenue of the Thai IT Consumer Business in FY2022 and 1H2023 respectively. The Existing Thai Company has not entered into any long-term contract with I Have CPU Co. Ltd.

(3) The sale of IT products and computer peripherals under the Gigabyte and AMD brands to Jib Computer Group Co. Ltd. contributed approximately USD0.11 million and USD0.96 million representing 1.5% and 7.4% of the revenue of the Thai IT Consumer Business in FY2022 and 1H2023 respectively. The Existing Thai Company has not entered into any long-term contract with Jib Computer Group Co. Ltd.

Under the terms of the Implementation Agreement, the Target Thai Company will commence operations in the Thai IT Consumer Business with effect from Completion. Following Completion, it is intended that the Target Thai Company's customers will be IT products and computer peripheral retailers with chain outlets in Thailand and will seek to diversify its customer base to reduce its reliance on its major customers.

The Target Thai Company has not entered into any long-term contracts with and is not dependent on any of its major customers, as there are many other IT retail stores and system integrators in Thailand that the Target Thai Company would be able to market and/or sell to.

5.2 Major Suppliers

Target Company

As at the Latest Practicable Date, save for laptop computers which the Target Company purchases from MSI, the Target Company purchases its IT products and computer peripherals from the Manufacturers substantially through SIFE and SMPL. Please refer to the section titled "*Business Overview – Procurement of IT products and computer peripherals*" of this Target Group's Letter to Shareholders for more information. The Target Company only commenced purchasing laptop computers from MSI in FY2022. In FY2022, the Target Company's purchases of laptop computers from MSI amounted to USD2.1 million and in 1H2023, this amounted to USD5.0 million.

Post Completion, the Target Company will continue purchasing AMD Products from SMPL. In relation to the Non-AMD Products, as the Target Company did not have direct contractual arrangements with the Manufacturers during the period where it was a member of the Serial System Group, SIFE and SMPL instead purchased such Non-AMD Products as an intermediary for and on behalf of the Target Company. As at the Latest Practicable Date, the Target Company has since entered into direct contractual arrangements with certain Manufacturers and continues to be in discussions with the other Manufacturers in order for the Target Group to purchase its IT products and computer peripherals. The Target Company expects to be able to purchase all of its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion. During this three (3)-month interim period, the Target Company intends to continue purchasing Non-AMD Products through SIFE and SMPL at cost. Please refer to the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

In the event that any of the Manufacturers ceases to sell its IT products and computer peripherals to the Target Group, the Target Group has, by virtue of the range of products offered, the ability to offer its customers comparable substitutes, and, as such, such cessation is not likely to have a material impact on the Target Group's operation and/or financials. For example, the Target Group carries two (2) brands of CPUs (being AMD and Intel), LCD monitors (being ViewSonic and Philips), RAM modules (Apacer and Dynabook) and three (3) brands of motherboards and VGA cards (MSI, Gigabyte and ASRock). In addition, the Target Group would be able to source for other suppliers as a substitute or alternative brands for each product category.

The following are the Manufacturers that supplied 5.0% or more of the Target Company's total purchases in FY2020, FY2021, FY2022 and 1H2023:

Name of Manufacturer	Products supplied	As a percentage of the Target Company's total purchases (%)			
		FY2020	FY2021	FY2022	1H2023
Intel [(1)]	Desktop CPUs, NUC PCs	27%	27%	29%	24%[(7)]
Gigabyte [(2)]	LCD monitors, motherboards, VGA cards, SSDs, RAM modules, CPU coolers, PSUs	21%	28%	23%[(7)]	15%[(8)]
AMD [(3)]	Desktop CPUs	24%	14%	9%[(8)]	11%[(9)]
MMD [(4)]	"AOC" and "Philips" brand of LCD monitors	13%	11%	12%	7%[(10)]
MSI [(5)]	Motherboard, VGA cards, laptops	7%	10%	15%[(9)]	33%[(11)]
ViewSonic [(6)]	"ViewSonic" brand of LCD monitors	5%	5%	6%	6%

Notes:

(1) The Target Company purchases the products manufactured by Intel through Serial System's wholly-owned subsidiary, SIFE, which holds the distributorship for such products in Singapore, Malaysia and Indonesia at cost. In connection with such purchases, SIFE charges a 0.1% administrative fee based on the cost of the products purchased.

(2) The Target Company purchases at cost the products manufactured by Gigabyte through Serial System's wholly-owned subsidiary, SIFE, which holds the distributorship for such products in Malaysia and Thailand. In connection with such purchases, SIFE charges a 0.1% administrative fee based on the cost of the products purchased.

(3) The Target Company, as a local in-country reseller, purchases the products manufactured by AMD from Serial System's wholly-owned subsidiary, SMPL, which holds the regional distributorship for such products in certain countries in Southeast Asia, including Malaysia and Thailand. SMPL sells such products to all the authorised local in-country resellers including the Target Company at the same price without the charge of the 0.1% administrative fee.

(4) The Target Company purchases products at cost which are manufactured by MMD through Serial System's wholly owned subsidiary SMPL, which holds the distribution rights for such products in Malaysia. In connection with such purchases, SMPL charges a 0.1% administrative fee based on the cost of the products purchased. Pursuant to the MMD AOC Distribution Agreement, the Target Company has a right to directly purchase IT products and computer peripherals from MMD.

(5) The Target Company purchases at cost the laptop computers manufactured by MSI directly from MSI, and purchases motherboards and VGA cards manufactured by MSI through Serial System's wholly-owned subsidiary SMPL, who has been appointed by MSI as a distributor for Malaysia in relation to such products. In connection with such purchases, SMPL charges a 0.1% administrative fee based on the cost the products purchased. Pursuant to the MSI Distribution Agreement, the Target Company has a right to directly purchase IT products and computer peripherals from MSI.

(6) The Target Company purchases at cost, the LCD monitors manufactured by ViewSonic through Serial System's wholly-owned subsidiary, SIFE, which holds the distribution rights for such products in Malaysia. In connection with such purchases, SIFE charges a 0.1% administrative fee based on the cost of the products purchased.

(7) The fall in the percentage of Target Company purchases from FY2022 to 1H2023 is attributable to the increase in purchases of MSI laptop products which make up a greater proportion of the sales.

(8) The fall in the Target Company purchases from FY2022 to 1H2023 is attributable to the slowdown in market demand and the significant fall in prices of VGA cards.

(9) The increase in purchases from FY2022 to 1H2023 is mainly attributable to the growth in export sales by the Target Company to overseas customers.

(10) The fall in the Target Company purchases from FY2022 to 1H2023 is attributable to the slowdown in market demand and the significant fall in prices of monitor/LCD.

(11) The increase in purchases from FY2022 to 1H2023 is attributable to the growth in MSI's motherboard and VGA card product offerings as well as the Target Company commencing purchases of laptops manufactured by MSI.

Generally, the Target Company has not entered into any contractual arrangements with the Manufacturers, save for its distribution agreements with MMD, Dynabook and MSI. In relation to MMD, Dynabook and MSI, all of such distribution agreements are for one (1)-year terms and are renewable annually. Please refer to the section titled "*Business Overview – Procurement of IT products and computer peripherals*" of this Target Group's Letter to Shareholders for more information.

To the best of the Proposed New Board's knowledge, they are not aware of any information or arrangement, which would lead to a cessation or termination of the Target Company's current relationship with any of its Manufacturers set out in this section.

None of the members of the Proposed New Board, the Proposed New Executive Officers or Substantial Shareholders or their respective associates has any interest, direct or indirect, in any of the above Manufacturers.

Target Thai Company

In FY2022 and 1H2023, the Existing Thai Company purchased its AMD products from SMPL and Non-AMD Products through SIFE as intermediaries for its business in Thailand at cost. In connection with such purchases, SIFE charges a 0.1% administrative fee based on the cost of the products purchased.

Pursuant to the terms of the Implementation Agreement, the Target Thai Company will enter into the MSI Novation Agreement. Please refer to the section titled "*Business Overview – Procurement of IT products and computer peripherals*" for more information on the MSI Novation Agreement.

Post Completion, the Target Thai Company expects to be able to purchase its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion. During this three (3)-month interim period, the Target Thai Company intends to continue purchasing the Non-AMD Products through SIFE at cost and SIFE will not charge any administrative fee. Please refer to the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

In addition, under the terms of the Implementation Agreement, during the one (1)-year Transition Period (as defined below) commencing on the day after Completion, while the Target Thai Company will endeavour to purchase the inventory required to fulfil orders from its suppliers, in the event the Target Thai Company is unable to do so for whatever reason or the Existing Thai Company has inventory that would enable the Target Thai Company to fulfil such orders, the Target Thai Company will have the right to purchase such inventory from the Existing Thai Company at book value. Please refer to section title "*Potential Conflicts of Interest – Thai IT Consumer Business*" for more information.

In the event that any of the Manufacturers ceases to sell its IT products and computer peripherals to the Target Group, the Target Group has, by virtue of the range of products offered, the ability to offer its customers comparable substitutes, and, as such, such cessation is not likely to have a material impact on the Target Group's operation and/or financials. For example, the Target Group carries two (2) brands of CPUs (being AMD and Intel), LCD monitors (being ViewSonic and Philips), RAM modules (Apacer and Dynabook) and three (3) brands of motherboards and VGA cards (MSI, Gigabyte and ASRock). In addition, the Target Group would be able to source for other suppliers as a substitute or alternative brands for each product category.

6. PROPERTIES AND FIXED ASSETS

Target Company

As at the Latest Practicable Date, the Target Company owns the following property:

Registered Proprietor	Location	Usage	Approximate land area / built-up area (sq ft)	Encumbrances
The Target Company	No. 249, Jalan Dagang 1/9, Taman Dagang, 68000 Ampang, Selangor Darul Ehsan Malaysia	Investment property (1)	82	Nil

Note:

(1) The Target Company has entered into a tenancy agreement dated 22 March 2022 with an unrelated third party for the rental of this property for an initial two (2)-year term.

As at the Latest Practicable Date, the Target Company has rented the following properties:

Lessee	Location	Tenure	Approx. lettable area (sq ft)	Monthly rental (RM)	Lessor	Description of use
The Target Company	Unit G-01-02, Unit G-03, Unit G-04, Unit G-05, Unit G-09, Wisma Academy, No. 4A, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	1 December 2020 to 30 November 2023(1)	12,587	27,691.40 (equivalent to USD6,283)	RHB Trustees Berhad (as trustee for the Axis Real Estate Investment Trust)	Warehouse
The Target Company	Unit 2.03, Level 2 Wisma Academy, No 4A, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	16 May 2021 to 15 May 2024	2,395	7,903.50 (equivalent to USD1,793)	RHB Trustees Berhad (as trustee for the Axis Real Estate Investment Trust)	Office
The Target Company	Units G-10-1 and G-10-2, Level G of Wisma Academy, No 4A, Jalan 19/1, 46300 Petaling Jaya, Selangor Darul Ehsan, Malaysia	16 May 2021 to 30 November 2023(1)	1,725	3,795.00 (equivalent to USD861)	RHB Trustees Berhad (as trustee for the Axis Real Estate Investment Trust)	Warehouse

Note:

(1) As at the Latest Practicable Date, the Target Company has entered into a tenancy agreement with the landlord dated 11 October 2023 under which the Target Company will lease these premises from the landlord from 1 December 2023 to 30 November 2026 at a monthly rental rate of RM34,348.80 (equivalent to USD7,792).

The Target Company has entered into three (3) tenancy agreements with the landlord in respect of the above properties. Upon expiration of the tenancies for the above properties, the parties have mutually agreed to renew the tenancies by way of a supplemental tenancy agreement.

The tenancy agreements also entitle the landlord to unilaterally terminate the tenancy agreements upon the occurrence of certain events of default which include, amongst others, the following: (a) winding up, dissolution or liquidation of the tenant; or (b) any proceedings instituted by the tenant under any winding up or insolvency laws; or (c) any assignment or arrangement by the tenant for the benefit of creditors; or (d) the tenant delivering vacant possession of the demised premises before the expiry of the tenancy; or (e) the tenant defaulting on the rental or any other payment required and fails to remedy the default; or (f) the tenant defaulting on any other covenants and terms of the tenancy agreement and fails to remedy the default.

The Target Company may terminate each of the tenancy agreements if the landlord is in breach of any terms of the tenancy agreement and fails to remedy the said breach within thirty (30) days from the date of receipt of the written notice from the tenant.

Save for the above properties and one (1) delivery van, the Target Company does not have any other material fixed assets. As at 30 June 2023, the properties and fixed assets of the Target Company had an aggregate net book value of USD0.18 million, or approximately 18.8% of the Target Company's net assets.

The Target Company does not have any production facility.

As at the Latest Practicable Date, none of the Target Company's properties and assets were subject to any mortgage, pledge or other encumbrances or otherwise used as security for any bank borrowings.

As at the Latest Practicable Date, the Target Company has commenced discussions with the landlord to renew its leases at locations where there is less than six (6) months of remaining tenure. The Target Company is not aware of any material breach by it of any obligations under the abovementioned tenancy agreements that would result in their termination by the landlord or non-renewal when they expire and does not foresee any difficulties in obtaining such renewal, if required. Certain of the Target Company's existing tenancy agreements may be unilaterally terminated by the lessor under certain conditions as set out in the tenancy agreements. The Proposed New Board is of the view that any unilateral termination or non-renewal by any landlord is unlikely to have a material impact on the Target Company's business or operations as it will be able to secure tenancies for alternative premises in the event of such termination.

Save as disclosed above and in the section titled "*Risk Factors*" of the Circular and section titled "*Government Regulations*" of this Target Group's Letter to Shareholders, as at the Latest Practicable Date, to the best of the Proposed New Board's knowledge, there are no regulatory requirements or environmental issues that may materially affect the Target Company's utilisation of any tangible fixed assets.

Target Thai Company

The Existing Thai Company has entered into an existing lease agreement with Mr Natthawat to occupy the entire first floor of the property at 4/1 Sukonthasawas Road, Ladphrao, Ladphrao, Bangkok 10230 (the "**Thai Premises**"). The terms of such existing lease agreement are based on normal commercial terms determined after arm's length negotiations between the parties.

Under the terms of the Implementation Agreement, the Target Thai Company has entered into the Target Thai Company Lease Agreement on substantially the same terms as such existing lease agreement with Mr Natthawat to occupy the Thai Premises for an initial three (3) year term, and the Target Thai Company has the option to renew the term of such lease for a further three (3) year term, at a rate to be agreed between the parties, which shall reflect the market rent. In addition, under the terms of the Target Thai Company Lease Agreement, Mr Natthawat may terminate the Target Thai Company Lease Agreement upon the occurrence of certain events, including in the event the Target Thai Company becomes insolvent, and in the event the Target Thai Company has failed to pay Mr Natthawat the rent when due and such amount remains unpaid for fourteen (14) days from which such payment is formally demanded.

7. RESEARCH AND DEVELOPMENT

Due to the nature of the Target Group's business, the Target Group currently does not engage in any research and development activities.

8. CREDIT POLICY

8.1 Credit terms offered to customers

Target Company

The Target Company typically grants credit terms of between thirty (30) to sixty (60) days to its customers. However, the credit limit for each customer may vary from customer to customer, depending on factors such as their payment track record, financial background and the length of its business relationship. The credit terms and changes to the credit terms are approved by the Target Company's management and are subject to annual review. The Target Company also re-evaluates its customers' credit standing and the credit limit extended to them from time to time to better ensure collectability of trade receivables.

The Target Company's total trade receivables and average trade receivables turnover days during the Period Under Review were as follows:

USD'000	FY2020	FY2021	FY2022	1H2023
Total trade receivables	4,851	6,166[2]	6,072	7,515[6]
Average trade receivables turnover days [1]	40	37[3]	60[4]	57[5]

Notes:

(1) The average trade receivables turnover days for FY2020, FY2021, FY2022 and 1H2023 were derived by dividing the average of the opening and closing balance of the sum of net trade receivables for the relevant year and multiplying by the number of calendar days in the relevant financial period.

(2) Trade receivables increased by USD1.3 million from FY2021 to FY2020 mainly due to higher sales achieved in FY2021.

(3) The average turnover days for trade receivables decreased from forty (40) days in FY2020 to thirty-seven (37) days in FY2021 as customers were generally prompt in making payment. As a result of generally higher demand arising from supply chain disruptions, customers were required to make payment promptly in order to secure future allocations of products.

(4) The average turnover days for trade receivables increased to sixty (60) days in FY2022 from thirty-seven (37) days in FY2021 because customers were generally slow and less prompt in making payment as their businesses and cash flows were negatively impacted due to general decrease in demand in FY2022. In addition, one of the Target Company's customers had in FY2022 procured a contract to supply PCs for a large project, and the payment terms applicable to the Target Company's customer in supplying such project was longer than the payment terms for retail sales. As at the Latest Practicable date, the Target Company has collected from such customer all outstanding receivables in relation to the large project to supply PCs.

(5) The average turnover days for trade receivables decreased from sixty (60) days in FY2022 to fifty-seven (57) days in 1H2023 as the Target Company was able to offer a more direct mode of payment to its major customers which is linked to the end consumer's credit cards, which expedited the payments to the Target Company since March 2023.

(6) Trade receivables increased by USD1.4 million from FY2022 to 1H2023 mainly due to the Target Company completing a large order with its major customer, SNS Network (M) Sdn Bhd for a project. Orders placed by the Target Company's customers for projects would have longer credit terms than orders placed for retail. In addition, the Target Company accrued certain incentive rebates extended by the Manufacturers at the end of 1H2023.

The Target Company's finance department monitors the payment status of its customers closely and follows up with customers on overdue payments. To further strengthen the Target Company's procedures for control of overdue payments, the Target Company has included in its formal policy the process and accountability of controlling, reporting and ensuring timely remedial actions for such payments owing to the Target Company. In addition to this, specific provisions or write-offs may be made when the Target Company is of the view that the collectability of an outstanding debt is in doubt. Allowance for impairment of receivables will usually be assessed on a case-by-case basis, depending on the creditworthiness of the customers at the relevant time.

The Target Company's loss allowance on receivables for the Period Under Review were as follows:

(USD'000)	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
Loss allowance on receivables[1]	26	62[2]	(18)[3]	4[4]

Notes:

(1) The Target Company applied the simplified approach in accordance with IFRS / SFRS(I) 9 to measure the loss allowance on trade receivables using the expected credit loss model.

(2) The loss allowance on receivables increased from approximately USD0.03 million to approximately USD0.06 million in FY2021. The increase was primarily due to loss allowance for certain customers amounting to USD0.04 million due to overdue payments.

(3) In FY2022, there was a reversal of impairment loss on trade receivables of approximately USD0.02 million compared to the loss allowance on receivables of USD0.06 million in FY2021. The decrease was due to lower overdue receivables outstanding as at 31 December 2022 as compared to 31 December 2021.

(4) The loss allowance on receivables in 1H2023 amounting to approximately USD0.004 million was primarily due to overdue payments.

The Target Company's trade receivables as at 30 June 2023 amounted to approximately USD7.515 million, of which approximately USD7.515 million or 100.0% has been collected as at the Latest Practicable Date.

The aged analysis of the trade receivables (net) as at 30 June 2023 is as follows:

(USD'000)	As at 30 June 2023
Past due 1 to 30 days	1,443
Past due 31 to 60 days	123
Past due 61 to 90 days	27
Past due over 90 days	2

Save for amounts for which provisions for impairment losses have been made as set out above, the Target Company does not expect any issues with the collectability of such receivables.

The Target Company does not foresee any further material impairments or write-offs of such remaining trade receivables after the Transactions.

The Target Company did not incur any bad debt written off for the Period Under Review.

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular.

8.2 Credit terms granted by suppliers

Target Company

As at the Latest Practicable Date, the Target Company, as a local in-country reseller and distributor, purchases a majority of its IT products and computer peripherals through SMPL and SIFE. Typically, SMPL and SIFE would grant credit terms ranging from thirty (30) to ninety (90) days from the date of delivery of products.

The Target Company's average trade payables turnover days during the Period Under Review were as follows:

USD'000	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
Total trade payables	6,362	5,135	6,981	3,912
Average trade payables turnover days [(1)]	49	42[(2)]	62[(3)]	48[(4)]

Notes:

(1) The average trade payables turnover days for FY2020, FY2021, FY2022 and 1H2023 were derived by dividing the average of the opening and closing balance of the sum of trade payables for the relevant year and multiplying by the number of calendar days in the relevant financial period. Average trade payables include inter-company trade payables.

(2) Trade payables turnover days improved from forty-nine (49) days in FY2020 to forty-two (42) days in FY2021 due to prompt payment for inter-company trade transactions, as collection from customers were timely.

(3) The average trade payables turnover days increased from forty-two (42) days in FY2021 to sixty-two (62) days in FY2022 mainly due to longer payment terms extended by the holding company and related companies.

(4) Trade payables turnover days improved from sixty-two (62) days in FY2022 to forty-eight (48) days in 1H2023 due to prompt payment as the collection from customers were timely.

Target Thai Company

The Target Thai Company will be a dormant company up until the date of this Circular, although typically, the Existing Thai Company's suppliers would grant credit terms ranging from thirty (30) to forty-five (45) days from the date of delivery of products.

9. INVENTORY MANAGEMENT

Target Company

The Target Company's inventory primarily consists of consumer and enterprise IT products and computer peripherals, desktop CPUs, motherboards and VGA cards and laptops. The inventory is stored at the Target Company's warehouse. Further details of the warehouse can be found at the section titled "*Properties and Fixed Assets*" of this Target Group's Letter to Shareholders.

The Target Company uses the "first-in-first-out" method of inventory control. Goods that are received and stored in the warehouse first, will be the first to be delivered to its customers. This method helps to minimise carrying older inventory, as the flow of goods ensures that only the most current goods form the bulk of the inventory. To keep accurate count of the inventory as well as to check on the accuracy of the inventory movements, half yearly stock-takes are conducted by the finance and operations department as part of internal control procedures.

The Target Company has adopted a formal inventory provision policy under which an appropriate amount of inventory provision is made on a monthly basis, based on the age and risk category of the inventory.

We also perform inventory planning by analysing factors such as historical demand trends, general market conditions and customer feedback (including the use of the customers' sales forecast). Additional inventory is maintained in view of fluctuations in customers' demands and serves to support and meet any unplanned orders.

As at 30 June 2023, the Target Company's inventories comprised approximately 34.0% of its total assets. These primarily consist of consumer and enterprise IT products and computer peripherals, desktop CPUs, motherboards and VGA cards and laptops. The Target Company's average inventory turnover days during the Period Under Review were as follows:

	FY2020	FY2021	FY2022	1H2023
Average inventory turnover days[1]	48	37[2]	64[3]	51[4]

Notes:

(1) The average inventories turnover days for FY2020, FY2021, FY2022 and 1H2023 were derived by dividing the average of the opening and closing balance of the sum of net inventories for the relevant year and multiplying by the number of calendar days in the relevant financial period.

(2) Inventory turnover days improved from forty-eight (48) days in FY2020 to thirty-seven (37) days in FY2021 due mainly to higher sales driven by strong demand for PC and gaming peripherals amid work-from-home measures implemented by the Malaysia government to contain COVID-19 in 2021.

(3) The average inventory turnover days increased from thirty-seven (37) days in FY2021 to sixty-four (64) days in FY2022 mainly due to lower sales demand for computers, computer peripherals, and video graphics cards in Malaysia as work-from-home measures progressively eased.

(4) Inventory turnover days improved from sixty-four (64) days in FY2022 to fifty-one (51) days in 1H2023 mainly due to clearance of aging stocks since first quarter of FY2023.

The Target Company's writeback / allowance for inventories obsolescence and inventories written-off for the Period Under Review were as follows:

USD'000	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022	As at 30 June 2023
(Writeback) / allowance for inventories obsolescence[(1)]	(32)	(165)	204	49
Inventories written off / (Writeback)	67	6	(1)	1

Note:

(1) The Target Company has adopted a formal inventory provision policy under which an appropriate amount of inventory provision is made on a monthly basis, based on the age and risk category of inventory.

The management is aware of the exposure it has in the rapidly changing electronics and IT industry and has taken prudent steps to make specific provisions for inventory obsolescence to reduce risk of inventory obsolescence arising from unexpected decline in demand for certain products. Monthly inventory review is taken on its inventory balance to uncover any unexpected change in stock turns and holding values. The sales and marketing teams also monitor the industry's products and price trends in order to be able to anticipate and react to changes in the industry in the shortest possible time.

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular.

10. ORDER BOOK

As the Target Group typically fulfils orders within three (3) to seven (7) days from the time an order is placed, the Proposed New Board does not consider the concept of an order book as meaningful to the Target Group due to the nature of the Target Group's business.

11. INTELLECTUAL PROPERTY RIGHTS

The Target Group's business is not dependent on any registered trademark, patent or licence or any other intellectual rights and the Target Group does not own any registered trademark, patent or licence or any other intellectual rights.

Under the distribution agreements and as an authorised in-country reseller, the Target Company would generally have a right to use the trade names, trademarks and other branding materials of the Manufacturers in a manner consistent with the standards and requirements set by the Manufacturers for the purposes of promoting and marketing their product lines only.

12. LICENSES, PERMITS, REGISTRATIONS AND APROVALS

Target Company

The Target Company's principal business activities are located in Malaysia and are subject to regulation by applicable laws, regulations and government agencies in Malaysia.

As at the Latest Practicable Date, the Target Company has the following material licences, permits, registrations and approvals:

Licence name / authority	Licence holder	Effective date	Expiry date
Trade, Business and Industrial License to carry out the sale of electrical and electronic goods and business office activities issued by the Petaling Jaya City Council	The Target Company	18 January 2023	31 December 2023(1)
Trade, Business and Industrial License to carry out warehousing / storage activities Petaling Jaya City Council	The Target Company	18 January 2023	31 December 2023(1)

Note:

(1) This license is typically renewed closer to its expiry date and the renewal process is administrative in nature. The Target Company has renewed both licenses which will be effective on 1 January 2024 and which will expire on 31 December 2024.

As at the Latest Practicable Date, the Target Company has all the necessary material licences and permits for its business operations.

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular.

The Company's legal adviser as to Thai laws has confirmed that as an in-country reseller and distributor of IT products and computer peripherals, the Target Thai Company would not require any licences, approvals or permits to conduct its business in Thailand. Furthermore, as Mr Natthawat will have a 51.0% interest in the shares of Target Thai Company, a foreign business licence would not be required.

13. INSURANCE

Target Company

As at the Latest Practicable Date, the Target Company maintains the following insurance policies to cover, *inter alia*, its risks relating to operations, human resource and fixed assets:

- Fire insurance – covering damage to property such as goods, machinery, equipment or buildings due to fire and/or lightning at the premises;
- Burglary and theft insurance – for loss or damage to property due to theft (forcible and violent entry) occurring in the premises and any attempt thereat;
- Public liability insurance – for accidental death or bodily injury and/or damage to third party property occurring in connection with its trade or business;
- Insurance for employees, including work injury compensation, personal accident insurance, group hospitalisation and surgical insurance;
- Money insurance – for loss of money in transit, money in our premises and money in our custody;
- Fidelity insurance – for pecuniary losses caused by an act of fraud or dishonesty committed by an employee; and
- Marine cargo insurance policy – for goods in transit by sea and air from Malaysia to anywhere worldwide (save for certain excluded countries) and vice versa, among others.

Each of the aforementioned insurance policies is renewable annually. The Target Company performs an annual review to determine whether the coverage provided by the aforementioned insurance policies remain adequate and comprehensive and believes that the aforementioned insurance policies are currently adequate for its existing business and operations and are in line with industry standards. However, there is no assurance that there will not be any such damage or that liability claims will not be in excess of the Target Company's available insurance coverage or that such insurance coverage are comprehensive and cover all types of damage suffered or liability claims. Please refer to Section 2.7 titled "*Risk Factors – The Target Group's insurance coverage may not cover all situations*" of the Circular for further details.

Target Thai Company

As at the Latest Practicable Date, the Existing Thai Company maintains the following insurance policies to cover, *inter alia*, its risks relating to operations, human resources and fixed assets:

- Fire insurance – covering damage to property such as goods, machinery, equipment or buildings due to fire and/or explosion at the premises;

- Burglary and theft insurance – for loss or damage to property due to theft (forcible and violent entry) occurring in the premises and any attempt thereat; and

- Insurance for employees, including work injury compensation, personal accident insurance, group hospitalisation and surgical insurance.

Under the terms of the Implementation Agreement, the Existing Thai Company will procure the transfer or assignment of all of its existing fire insurance policy, burglary and theft insurance, public liability insurance and its insurance for employees to the Target Thai Company with effect from Completion. The Target Thai Company believes that the aforementioned insurance policies are adequate for its existing business and operations. However, there is no assurance that there will not be any such damage or that liability claims will not be in excess of the Target Thai Company's available insurance coverage or that such insurance coverage are comprehensive and cover all types of damage suffered or liability claims. Please refer to Section 2.7 titled "*Risk Factors – The Target Group's insurance coverage may not cover all situations*" of the Circular for further details.

14. CORPORATE SOCIAL RESPONSIBILITY

As at the Latest Practicable Date, the Target Group, as a part of the Serial System Group, participated and complied with the corporate social responsibility initiatives of the Serial System Group. For example, in FY2022, Serial System donated a total of S$173,000 to various causes and organisations in Singapore, including a S$73,000 donation to various charitable foundations and programmes under the North West Community Development Council UOB Chinese New Year Charity Fund-raiser, Viva Foundation for Children with Cancer and The Salvation Army and a S$100,000 donation to Sian Chay Medical Institution, a charity organisation that provides free Traditional Chinese Medicine consultation and subsidized medication for the community, in order to facilitate the provision of medical services to low-income families from all races and religion.

The Target Group understands the importance of corporate social responsibility to its long-term sustainability and is committed to making a positive impact on society. Post Completion, the Target Company has identified underprivileged children as a target beneficiary group and intends to implement corporate social responsibility initiatives targeted at such beneficiary group.

15. SEASONALITY

Due to the nature of the Target Group's business, there are no significant seasonal trends during the Period Under Review. The Proposed New Board believes that there is no material seasonality factor affecting the business of the Target Group. However, the Target Company experiences an increase in demand for its products as and when its suppliers introduce new product lines into the market.

16. FOREIGN EXCHANGE MANAGEMENT

As at the Latest Practicable Date, the Target Company's business is primarily conducted in Malaysia, and it mainly uses RM and USD as the transaction currency. The Target Company also transacts in foreign currencies such as SGD.

While the Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular, the Target Thai Company's business will primarily be conducted in Thailand and it will use THB and USD as the transaction currency.

As such, the Target Group has adopted a foreign currency hedging policy under which it seeks to mitigate foreign exchange risks using derivative instruments such as forward and options contracts. The primary purpose of its foreign currency hedging policy is to protect against the volatility associated with the fluctuations of the USD:RM and USD:THB exchange rates. Under such hedging policy, the Target Group will, at the end of every month, assess its net foreign currency exposure based on the latest available management accounts of the Target Company or the Target Thai Company and will acquire such hedging instruments as management may deem appropriate, taking into account the amount of its net foreign currency exposure.

Moving forward, the New Audit and Risk Committee will undertake periodic reviews of the Enlarged Group's hedging policies, together with the transactions and hedging activities undertaken by the Enlarged Group.

Percentage of revenue denominated in

	FY2020	FY2021	FY2022	1H2023
	%	%	%	%
RM	97	94	75	58
USD	3	6	9	4
THB	–	–	16	38
Total	**100**	**100**	**100**	**100**

Percentage of purchases denominated in

	FY2020	FY2021	FY2022	1H2023
	%	%	%	%
RM	1	–	7	–
USD	99	100	92	97
THB	–	–	1	3
Total	**100**	**100**	**100**	**100**

Percentage of expenses denominated in

	FY2020	FY2021	FY2022	1H2023
	%	%	%	%
RM	72	75	52	30
USD	27	23	29	39
THB	–	–	18	30
SGD	1	2	1	1
Total	**100**	**100**	**100**	**100**

The net foreign exchange gain or loss for each of FY2020, FY2021, FY2022 and 1H2023, are as follows:

	FY2020	FY2021	FY2022	1H2023
Foreign exchange gain/(loss) gain, net (USD'000)	203	(291)	(233)	(536)[(1)]
As a percentage of revenue (%)	0.5%	0.5%	0.6%	2.5%
As a percentage of profit/ (loss) before income tax (%)	27.2%	15.8%	(27.5)%	(125.4)%

Note:

(1) The USD303,000 increase in net foreign exchange loss from FY2022 to 1H2023 was a result of revaluation losses on USD balances due to immediate holding company and/or related companies arising from the strengthening of the USD against the MYR in 1H2023.

Please refer to the section titled "*Risk Factors – The Target Group is subject to foreign exchange risks*" of the Circular for more information.

17. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

The financial statements of the Enlarged Group have been prepared in accordance with the Singapore Financial Reporting Standards (International) (the "**SFRS(I)s**"). The financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities which are measured at fair value.

The Enlarged Group has adopted all applicable new and revised SFRS(I)s and interpretations of SFRS(I)s with which the relevant accounting policies have been consistently applied to the Enlarged Group's combined financial statements throughout the Period Under Review. The Target Group expects that the adoption of new or revised accounting standards issued but not yet effective for the Period Under Review will not have a material impact on the Enlarged Group's future financial statements. The Target Group does not expect to make changes to its accounting policies following Completion, unless required in accordance with SFRS(I)s.

Please refer to the section titled "*Management's Discussion and Analysis of Results of Operations of the Target Company*" in the Target Group's Letter to Shareholders for details on the Enlarged Group's accounting policies.

18. GOVERNMENT REGULATIONS

Target Company

The following description is a summary of the material laws, regulations and guidelines applicable to the Target Company under Malaysian law. The laws, regulations and guidelines set out below are not exhaustive and are neither designed nor intended to be a substitute for professional advice. Shareholders and prospective investors should consult their own advisers regarding the implication of Malaysian laws, regulations and guidelines on the Target Company.

Occupational Safety and Health Act 1994

The Occupational Safety and Health Act 1994 ("**OSHA 1994**") regulates amongst others, the standards for safety, health, and welfare of employees at their workplace, protection of others against safety risks or health risks in connection with the employees' activities at their location of work in certain industries including the wholesale and retail trade industry.

Under the OSHA 1994, employers in the manufacturing industry are required to take proper steps to ensure the safety, health, and welfare of their employees and to protect them against any safety risks and health risks in relation to their employment activities at their location of work. Employers have a duty to ensure the abovementioned to the extent that it is practicable, including but not limited to the following matters:

– the provision and maintenance of plant and systems of work that are safe and without risks to health;

– the making of arrangements for ensuring safety and absence of risks to health in connection with the use or operation, handling, storage and transport of plant and substances;

– the provision of such information, instruction training and supervision as is necessary to ensure the safety and health at work of his employees;

– as regards any place of work under the control of the employer, the maintenance of it in a condition that is safe and without risks to health and the provision and maintenance of the means of access to and egress from it that are safe and without such risks; and

– the provision and maintenance of a working environment for his employees that is safe, without risks to health, and adequate as regards facilities for their welfare at work.

Employers who fail to comply with the matters above are guilty of an offence and on conviction, will be liable to a fine not exceeding RM50,000 (equivalent to USD11,344) and to imprisonment for a term not exceeding two (2) years, or to both.

The Target Company has a health and safety policy in place for the Period Under Review and up to the Latest Practicable Date, the Target Company has not been issued with any penalties by the Department of Occupational Safety & Health, Ministry of Human Resources pursuant to OSHA 1994.

Local Government Act 1976

Companies intending to commence business operations in Malaysia are required to obtain a business premises licence (or such equivalent licence(s)) as may be determined and imposed by the relevant local authority) for each operating premises pursuant to the Local Government Act 1976 ("**LGA 1976**") before each premises can commence operations.

Failure to display a valid business licence at all times in a prominent section of the licenced premises or failure to produce such licence when requested to do so by any officer of the relevant local authority may result in a fine not exceeding RM500 (equivalent to USD 113) or to imprisonment for a term not exceeding six (6) months, or to both.

The Target Company operates in Selangor Darul Ehsan, Malaysia and as such, is required to comply with the LGA 1976 as well as the relevant by-laws of that state. Generally, a contravention of the applicable by-laws enacted by the relevant local authorities would result in an offence which, upon conviction, shall result a fine not exceeding RM2,000 (equivalent to USD 454) or to imprisonment for a term not exceeding one (1) year, or to both. Further, a certain local authority may be empowered under their respective by-laws, rules and regulations to impose a daily fine for each day or part of a day during which the contravention continues to occur after conviction.

As at the Latest Practicable Date, the business licences (or the equivalent licence(s)) as may be determined and imposed by the relevant local authority) obtained by the Target Company are set out in the section titled "*Licences, Permits, Registrations and Approvals*" of this Target Group's Letter to Shareholders.

Guidelines on Foreign Participation in Distributive Trade Services in Malaysia

Pursuant to the Guidelines on Foreign Participation in Distributive Trade Services in Malaysia issued by the Ministry of Domestic Trade and Consumer Affairs, Malaysia ("**MDTCA**") in 2020 ("**2020 Guidelines**"), all foreign business operators engaged in distributive trade services in Malaysia are encouraged and recommended to obtain an approval from MDTCA (i.e., obtaining the Wholesale Retail Trade Licence) prior to commencing operation. However, the approval from MDTCA is required if the foreign business operator proposes to hire expatriates or foreign workers.

The 2020 Guidelines provides that the Distributive Trade Committee of MDTCA has the right to reject the application to open a new business branch and to revoke any previous approval given by the Distributive Trade Committee of MDTCA if a company fails to comply with any provisions under the 2020 Guidelines by the business operators and for the purpose of national security.

As at the Latest Practicable Date, the Proposed New Board believes that we are in compliance with all laws and regulations applicable to the Target Group's business operations that are material to its business operations.

Target Thai Company

The Company's legal adviser as to Thai laws has confirmed that the Target Thai Company's operating in the Thai IT Consumer Business would not be subject to any specific legislation, regulatory controls or environmental issues other than those that are generally applicable to companies and businesses operating in Thailand.

19. ORGANISATIONAL STRUCTURE

Target Company

The Target Company was incorporated in Malaysia on 8 June 1996 and has an issued and paid-up share capital of RM20,356,157 (equivalent to USD5,647,663). As at the Latest Practicable Date, the Target Company is a wholly-owned subsidiary of the Vendor, which is in turn a wholly-owned indirect subsidiary of Serial System. As at the Latest Practicable Date, the directors of the Target Company are the Target Company's Group General Manager, Mr Jason Soh, the Proposed New Executive Director, Mr Kenny Sim and the Target Company's Financial Controller, Ms Ellen Yap.

As at the Latest Practicable Date, the Target Company does not have any subsidiaries, subsidiary entities, associated companies or associate entities.

Target Thai Company

As at the Latest Practicable Date, the Target Thai Company has an issued and paid-up share capital of THB 1,000,000. As at the Latest Practicable Date, the Target Thai Company is owned as to 49.0% by the Vendor and 51.0% by Mr Natthawat, a party that is unrelated to the Company, its subsidiaries, its Directors or Substantial Shareholders, the Target Group, or Target Group Directors. The directors of the Target Thai Company are the Proposed New Executive Director, Mr Kenny Sim, Mr Jason Soh and Mr Natthawat, who will, on Completion, be the Target Thai Company's General Manager (Thailand).

Upon Completion, the Company will acquire 49.0% of the share capital of the Target Thai Company from the Vendor. Please refer to the section titled "*Potential Conflicts of Interest – Thai IT Consumer Business*" of this Target Group's Letter to Shareholders for more information.

As at the Latest Practicable Date, the Target Thai Company does not have any subsidiaries, subsidiary entities, associated companies or associate entities.

20. SHARE CAPITAL AND SHAREHOLDING STRUCTURE

The issued and paid-up share capital of the Target Company is RM20,356,157 comprising 20,356,157 ordinary shares and the issued and paid-up share capital of the Target Thai Company is THB 1,000,000 comprising 10,000 ordinary shares.

As at the Latest Practicable Date, there is only one (1) class of shares in the capital of the Target Company and the Target Thai Company, being ordinary shares. All of the ordinary shares carry the same voting rights. The rights and privileges attached to the Target Company's shares are stated in the constitution of the Target Company. The rights and privileges attached to the Target Thai Company's shares are stated in the constitution of the Target Thai Company.

As at the Latest Practicable Date, the shares of the Target Company and the Target Thai Company held by the Vendor were not subject to any pledge, mortgage or any other form of encumbrance.

No person has been, or is permitted to be, given an option to subscribe for or purchase any securities or securities-based derivatives contracts of the Target Company or the Target Thai Company. As at the Latest Practicable Date, there is no arrangement with the directors or employees of the Target Company or the Target Thai Company that involves the issue or grant of options or shares or any other securities or securities-based derivatives of the Target Company or the Target Thai Company.

As at the Latest Practicable Date, the direct and indirect shareholdings in the Target Company are as follows:

	Direct interest		**Deemed interest**	
	Number of shares	**(%)**	**Number of shares**	**(%)**
Proposed New Directors				
Mr Sean Goh[(1), (3)]	–	–	–	–
Ms Victoria Goh[(2), (3)]	–	–	–	–
Mr Kenny Sim	–	–	–	–
Mr Tan Thiam Hee	–	–	–	–
Mr Kenny Yap Kim Lee	–	–	–	–
Mr Solomon Tan	–	–	–	–
Mr Jason Su	–	–	–	–
Substantial Shareholders				
SIFE[(4)]	20,356,157	100.0	–	–
SCE Enterprise Pte. Ltd.[(5)]	–	–	20,356,157	100.0
Serial System[(3)]	–	–	20,356,157	100.0
Dr Derek Goh Bak Heng[(1), (2), (6)]	–	–	20,356,157	100.0

Notes:

(1) Mr Sean Goh is the cousin of Dr Derek Goh Bak Heng. Ms Victoria Goh has direct and deemed interests in 0.03% of Serial System.

(2) Ms Victoria Goh is the daughter of Dr Derek Goh Bak Heng.

(3) Mr Sean Goh and Ms Victoria Goh are directors of Serial System.

(4) Serial i-Tech (Far East) Pte. Ltd. is a wholly-owned subsidiary of SCE Enterprise Pte. Ltd.

(5) SCE Enterprise Pte. Ltd. is a wholly-owned subsidiary of Serial System. The directors of SCE Enterprise Pte. Ltd. are Sean Goh and Victoria Goh.

(6) Dr Derek Goh Bak Heng is the Chief Executive Officer of Serial System. Dr Derek Goh Bak Heng is deemed to be interested in the shares held by Serial i-Tech (Far East) Pte. Ltd. by virtue of Section 4 of the SFA. As at the Latest Practicable Date, Dr Goh has an interest, directly and indirectly, in approximately 40.45% of the shares in Serial System.

Upon Completion, the Company will be a subsidiary of Serial System, the Target Company will be a wholly-owned subsidiary of the Company and the Company will have a 49.0% shareholding interest in the Target Thai Company.

Upon Completion, the Vendor will no longer hold any shares directly in the Target Company or the Target Thai Company.

As at the Latest Practicable Date, save as disclosed above, neither the Target Company nor the Target Thai Company is directly or indirectly owned or controlled, whether severally or jointly, by any person or government.

As at the Latest Practicable Date, save for the Proposed Acquisition, there is no other arrangement, the operation of which may result in a change in control of the Target Company or the Target Thai Company after Completion.

There has not been any public takeover offer by a third party in respect of any of the shares of the Target Company or the Target Thai Company or by the Target Company or the Target Thai Company in respect of the shares of another corporation or the units of a business trust, which has occurred between the beginning of FY2022, being the most recently completed financial year and the Latest Practicable Date.

There were no changes in the share capital nor significant changes in the ownership of the equity interest of the Target Company or the Target Thai Company for the period of three (3) years before the Latest Practicable Date.

21. DIVIDENDS

Target Company

The Target Company was incorporated on 8 June 1996. As at the Latest Practicable Date, the Target Company did not declare or pay out any dividends during the Relevant Period.

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular.

22. SELECTED FINANCIAL INFORMATION OF THE TARGET COMPANY

The following selected financial information of the Target Company should be read in conjunction with the full text of this Target Group's Letter to Shareholders, including the "Independent Auditors' Report on the Financial Statements for the Financial Years Ended 31 December 2020, 2021 and 2022 of the Target Company", the "Independent Auditors' Review Report on the Unaudited Interim Condensed Financial Statements of the Target Company for the Financial Period from 1 January 2023 to 30 June 2023", "Independent Auditors' Assurance Report and the Compilation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2022 and the Six-Month Period Ended 30 June 2023" and the "Management's Discussion and Analysis of Results of Operations of the Target Company" section of this Target Group's Letter to Shareholders.

22.1 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE TARGET COMPANY(1)

	TARGET COMPANY				
	2020	2021	2022	1H2022	1H2023
	Audited USD'000	Audited USD'000	Audited USD'000	Unaudited USD'000	Unaudited USD'000
Revenue	37,463	54,202	37,244	17,984	21,402
Cost of sales	(35,744)	(50,900)	(35,933)	(17,097)	(20,636)
Gross profit	1,719	3,302	1,311	887	766
Other income	765	796	485	145	439
Interest	10	10	5	3	3
Other operating	755	786	480	142	436
Expenses:					
Distribution	(717)	(908)	(741)	(418)	(440)
Administrative	(562)	(639)	(679)	(46)	(69)
Finance	(220)	(134)	(265)	(119)	(198)
Other:					
Loss allowance on receivables	(26)	(87)	–	(3)	(4)
Other operating	(214)	(490)	(958)	(944)	(920)
Total expenses	(1,739)	(2,258)	(2,643)	(1,530)	(1,631)
Profit/(loss) before income tax	745	1,840	(847)	(498)	(426)
Income tax expense	(3)	(3)	(2)	(1)	(1)
Profit/(loss) after income tax	742	1,837	(849)	(499)	(427)
Profit/(loss) attributable to equity holders of the Company	742	1,837	(849)	(499)	(427)
Earnings/(loss) per share attributable to equity holders of the Company (cents)					
Basic earnings/(loss) per share	0.04	0.09	(0.04)	(0.02)	(0.02)
Diluted earnings/(loss) per share	0.04	0.09	(0.04)	(0.02)	(0.02)

Note:

(1) The Target Company's statements of profit or loss and other comprehensive income for the Period Under Review have been prepared on the basis that the Target Company had been in existence throughout the Period Under Review.

22.2 STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	TARGET COMPANY				
	1 January 2020	31 December 2020	31 December 2021	31 December 2022	30 June 2023
	Audited	Audited	Audited	Audited	Unaudited
	USD'000	USD'000	USD'000	USD'000	USD'000
ASSETS					
Current assets					
Cash and cash equivalents	1,553	2,407	1,448	1,343	918
Trade and other receivables	3,606	5,203	6,347	6,835	7,972
Amounts due from a subsidiary, related companies and immediate holding company	24	62	1,203	131	–
Inventories	4,621	4,712	5,517	6,856	4,674
Tax recoverable	1	1	1	2	2
	9,80	12,385	14,516	15,167	13,566
Non-current assets					
Property, plant and equipment	124	306	268	135	73
Investment property	–	132	124	114	107
Trade and other receivables	126	69	9	–	–
	250	507	401	249	180
Total assets	10,055	12,892	14,917	15,416	13,746
LIABILITIES					
Current liabilities					
Trade and other payables	226	469	508	1,499	1,080
Amounts due to ultimate, immediate holding company and related companies	5,274	8,466	6,939	6,791	5,031
Borrowings	4,680	3,184	4,937	5,671	6,680
	10,180	12,119	12,384	13,961	12,791
Non-current liability					
Borrowings	27	152	116	11	–
Total liabilities	10,207	12,271	12,500	13,972	12,791
NET (LIABILITIES)/ASSETS	(152)	621	2,417	1,444	955
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	5,648	5,648	5,648	5,648	5,648
Currency translation reserve	729	760	720	596	534
Accumulated losses	(6,529)	(5,787)	(3,951)	(4,800)	(5,227)
TOTAL EQUITY	(152)	621	2,417	1,444	955

22.3 UNAUDITED *PRO FORMA* STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND FOR THE SIX (6)-MONTH PERIOD ENDED 30 JUNE 2023

The following selected *pro forma* financial information of the Enlarged Group should be read in conjunction with the full text of this Target's Letter to Shareholders, including the "*Independent Auditors' Assurance Report and the Compilation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2022 and the Six (6)-month period Ended 30 June 2023*" as set out in Appendix D to the Circular.

Basis of Preparation

The unaudited *pro forma* financial information has been prepared for illustrative purposes only. It has been prepared based on certain assumptions and after making certain adjustments to show what the unaudited *pro forma* statement of comprehensive income and unaudited *pro forma* statement of cash flows of the Enlarged Group for the financial year ended 31 December 2022 and the six-month period ended 30 June 2023 would have been if the Target Group's structure pursuant to:

(a) the Proposed Acquisition;

(b) the proposed disposal and/or striking-off of the Company's subsidiaries as described in section 1.2 of the Circular; and

(c) the Interco Loan and Interco Balances as described in section 15 of the Circular will be capitalised as the share capital of the Company,

(collectively, the "**Significant Events**"), had been in place since 1 January 2022, and what the unaudited *pro forma* statement of financial position of the Enlarged Group as at 31 December 2022 and 30 June 2023 would have been if the Target Group's structure pursuant to the Significant Events had been in place on 31 December 2022 and 30 June 2023 respectively.

However, the unaudited *pro forma* financial information of the Enlarged Group may not give a true picture of the Enlarged Group's actual financial position, financial performance and cash flows because of its nature and is not necessarily indicative of the results of the operations and cash flows or the related effects on the financial position that would have been attained had the Significant Events actually occurred earlier.

The unaudited *pro forma* financial information of the Enlarged Group has been compiled based on the following:

(a) the unaudited *pro forma* financial position of the Enlarged Group as at 31 December 2022 and 30 June 2023 if the Significant Events had occurred on 31 December 2022 and 30 June 2023;

(b) the unaudited *pro forma* financial performance of the Enlarged Group for the financial year/period ended 31 December 2022 and 30 June 2023 if the Significant Events had occurred on 1 January 2022;

(c) the unaudited *pro forma* cash flows of the Enlarged Group for the financial year/period ended 31 December 2022 and 30 June 2023 if the Significant Events had occurred on 1 January 2022; and

(d) the unaudited interim combined financial statements of the Enlarged Group for the six-month period ended 30 June 2023.

Please refer to the "*Independent Auditors' Assurance Report and the Compilation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2022 and the Six-Month Period Ended 30 June 2023*" as set out in Appendix D to this Circular for the key adjustments and assumptions made for the preparation of the unaudited *pro forma* financial information of the Enlarged Group.

***PRO FORMA* STATEMENTS OF PROFIT OR LOSS OF THE ENLARGED GROUP**

	Pro forma	
	Unaudited	
	FY2022	1H2023
	USD'000	USD'000
Sales	44,666	34,406
Cost of sales	(43,061)	(33,003)
Gross profit	**1,605**	**1,403**
Other income	1,118	445
Interest	6	3
Other operating	1,112	442
Expenses		
Distribution	(1,256)	(914)
Administrative	(1,115)	(250)
Finance	(369)	(229)
Other:		
Loss allowance on trade and other receivables	(3)	(5)
Other operating	(6,519)	(1,853)
Total expenses	**(9,262)**	**(3,251)**
Loss before income tax	(6,539)	(1,403)
Income tax expense	(2)	(1)
Loss after income tax	**(6,541)**	**(1,404)**
Attributable to:		
Equity holders of the Company	(6,337)	(999)
Non-controlling interests	**(204)**	**(405)**
	(6,541)	**(1,404)**

PRO FORMA FINANCIAL POSITION OF THE ENLARGED GROUP

	Pro forma Unaudited	
	31 December 2022	30 June 2023
	USD'000	USD'000
ASSETS		
Current assets		
Cash and cash equivalents (including restricted deposits)	2,662	1,755
Trade and other receivables	6,836	7,972
Amounts due from immediate holding and related companies	131	–
Inventories	6,856	4,674
Tax recoverable	2	2
	16,487	14,403
Property, plant and equipment	135	73
Investment property	114	107
	249	180
Total assets	**16,736**	**14,583**
LIABILITIES		
Current liabilities		
Trade and other payables	2,600	1,878
Amounts due to ultimate holding, immediate holding and related companies	3,791	2,031
Borrowings	5,671	6,680
	12,062	10,589
Non-current liabilities		
Borrowings	11	–
	11	–
Total liabilities	**12,073**	**10,589**
NET ASSETS	**4,663**	**3,994**
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	13,500	13,500
Other reserves	596	534
Accumulated losses	(9,433)	(10,040)
TOTAL EQUITY	**4,663**	**3,994**

PRO FORMA STATEMENTS OF CASH FLOWS OF THE ENLARGED GROUP

	Pro forma Unaudited	
	31 December 2022 USD'000	30 June 2023 USD'000
Cash Flows from operating activities		
Loss before income tax	(6,539)	(1,403)
Adjustments for:		
Loss on reverse acquisition	3,290	–
Introducer fees	373	–
Depreciation of property, plant and equipment	120	62
Loss/(Gain) on disposal of property, plant and equipment	(12)	2
Fair value changes on investment property	5	–
Reversal of accrual expenses	(67)	–
Loss allowance/(Reversal of impairment loss) on receivables, net	(15)	5
Allowances for inventories obsolescence	204	400
Interest income	(5)	(3)
Interest expenses	370	229
Unrealised exchange difference	(139)	821
Operating cash flows before working capital changes	(2,415)	113
Changes in working capital changes:		
Trade and other receivables	(740)	(1,447)
Inventories	(1,831)	1,735
Trade and other payables	2,387	(950)
Amounts due to immediate holding companies	1,980	(1,759)
Amounts due from/to related companies	(511)	(554)
Cash used in operations	(1,130)	(2,862)
Interest received	5	3
Interest paid	(260)	(196)
Income taxes paid	(16)	(2)
Net cash used in operating activities	(1,401)	(3,057)
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(1)	(2)
Proceeds from disposal of property, plant and equipment	12	–
Advances to related companies	(1)	–
Withdrawal of restricted deposit in escrow account	19,410	–
Net cash generated from investing activities	19,420	(2)
Cash Flows from Financing Activities		
Proceeds from borrowings	22,760	20,795
Repayment of borrowings	(21,761)	(19,339)
Principal payment of lease liabilities	(108)	(53)
Advances from ultimate holding company, net	288	(210)
Repayment to immediate holding company, net	(591)	260
Advances from related companies, net	69	885
Cash distributed to shareholders arising from capital reduction of the Company	(8,893)	–
Cash distributed to non-controlling interest arising from capital reduction of a subsidiary	(1)	–
Dividends paid	(10,524)	–
Net cash used in financing activities	(18,761)	2,338
Net decrease in cash and cash equivalents	(742)	(721)
Effect of exchange rate fluctuations on cash and cash equivalents	(1)	(186)
Cash and cash equivalents at beginning of the financial year	2,943	2,205
Cash and cash equivalents at end of the financial year	2,200	1,298

23. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL POSITION OF THE TARGET COMPANY

The following discussion of the Target Group's business, financial condition, and results of operations for Target Company should be read in conjunction with the "Independent Auditors' Report on the Financial Statements for the Financial Years Ended 31 December 2020, 2021 and 2022 of the Target Company", "Independent Auditors' Review Report on the Unaudited Interim Condensed Financial Statements of the Target Company for the Financial Period from 1 January 2023 to 30 June 2023" and the "Independent Auditors' Assurance Report and the Compilation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2022 and the Six-Month Period Ended 30 June 2023" as set out in Appendix B, Appendix C and Appendix D to this Circular and the related notes elsewhere in this Circular.

In connection with the Proposed Acquisition, the Company will be acquiring the Vendor's 49.0% interest in the Target Thai Company, a company incorporated in Thailand on 22 May 2023 that is dormant as at the date of this Circular. Under the terms of the SPA, the Vendor will procure the transfer of the Thai IT Consumer Business from the Existing Thai Company to the Target Thai Company prior to Completion. At Completion, the Existing Thai Company will cease the Thai IT Consumer Business which was commenced since April 2022.

In this regard, the Statements of Profit or Loss is prepared for the Financial Year ended 31 December 2022 and 30 June 2023 to illustrate the inclusion of the financial information of the Existing Thai Company's Thai IT Consumer Business, had the Target Thai Company operated in the Thai IT Consumer Business from April 2022 to December 2022 and from 1 January 2023 to 30 June 2023 together with the financial information of the Target Company in addition to the audited financial statements of the Target Company for the Financial Years ended 31 December 2020, 31 December 2021 and 31 December 2022.

The Unaudited Pro Forma Financial Information for the financial year/period ended 31 December 2022 and the Six-Month Period Ended 30 June 2023 is prepared to illustrate the results, assets and liabilities of Axington Inc,. assuming the Proposed Acquisition had been completed.

Further details of the Unaudited Pro Forma Financial Information are set out below.

23.1 OPERATING RESULTS OF THE TARGET COMPANY AND THAI IT CONSUMER BUSINESS

STATEMENT OF PROFIT OR LOSS

	Target Company					Target Company and Thai IT Consumer Business		
	Audited	Audited	Audited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	FY2020	FY2021	FY2022	1H2022	1H2023	FY2022	1H2022	1H2023
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Sales	37,463	54,202	37,244	17,984	21,402	44,666	19,303	34,406
Cost of sales	(35,744)	(50,900)	(35,933)	(17,097)	(20,636)	(43,061)	(18,375)	(33,003)
Gross profit	**1,719**	**3,302**	**1,311**	**887**	**766**	**1,605**	**928**	**1,403**
Gross margin	**4.6%**	**6.1%**	**3.5%**	**4.9%**	**3.6%**	**4.0%**	**4.8%**	**4.1%**
Other income	765	796	485	145	439	1,112	146	440
Expenses								
Distribution	(717)	(908)	(741)	(418)	(440)	(1,256)	(501)	(914)
Administrative	(562)	(639)	(679)	(46)	(69)	(873)	(65)	(129)
Finance	(220)	(134)	(265)	(119)	(198)	(369)	(144)	(229)
Other:								
Loss allowance on receivables	(26)	(87)	–	(3)	(4)	(3)	(3)	(5)
Other operating	(214)	(490)	(958)	(944)	(920)	(1,464)	(1,023)	(1,788)
Total expenses	**(1,739)**	**(2,258)**	**(2,643)**	**(1,530)**	**(1,631)**	**(3,965)**	**(1,736)**	**(3,065)**
Profit/(loss) before income tax	745	1,840	(847)	(498)	(426)	(1,248)	(662)	(1,222)
Income tax expense	(3)	(3)	(2)	(1)	(1)	(2)	(1)	(1)
Profit/(loss) after income tax	**742**	**1,837**	**(849)**	**(499)**	**(427)**	**(1,250)**	**(663)**	**(1,223)**
Profit/(loss) attributable to:								
Equity holders of the Company	**742**	**1,837**	**(849)**	**(499)**	**(427)**	**(1,046)**	**(555)**	**(1,023)**
Non-controlling interests	**–**	**–**	**–**	**–**	**–**	**(204)**	**(108)**	**(200)**
Total	**742**	**1,837**	**(849)**	**(499)**	**(427)**	**(1,250)**	**(663)**	**(1,223)**
Earnings/(loss) per share attributable to equity holders of the Company (cents)								
Basic and Diluted [(1)]	0.07	0.16	(0.08)	(0.04)	(0.04)	(0.11)	(0.06)	(0.11)
Basic and Diluted [(2)]	0.53	1.31	(0.61)	(0.36)	(0.30)	(0.89)	(0.47)	(0.87)

Notes:

(1) Based on 1,120,261,802 Shares, being the number of Shares in issue outstanding upon Completion before the Proposed Share Consolidation of every eight (8) existing Shares into one (1) Consolidated Share. There is no dilution of earnings or loss per share as there are no Shares under options.

(2) Based on 140,032,726 Shares, being the number of Shares in issue outstanding upon Completion after the Proposed Share Consolidation of every eight (8) existing Shares into one (1) Consolidated Share. There is no dilution of earnings or loss per share as there are no Shares under options.

STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

	Target Company			
	Audited	Audited	Audited	Unaudited
	31 December 2020	31 December 2021	31 December 2022	30 June 2023
	USD'000	USD'000	USD'000	USD'000
ASSETS				
Current assets				
Cash and cash equivalents	2,407	1,448	1,343	918
Trade and other receivables	5,203	6,347	6,835	7,972
Amounts due from a subsidiary, related companies and immediate holding company	62	1,203	131	–
Inventories	4,712	5,517	6,856	4,674
Tax recoverable	1	1	2	2
	12,385	14,516	15,167	13,566
Non-current assets				
Property, plant and equipment	306	268	135	73
Investment property	132	124	114	107
Trade receivables	69	9	–	–
	507	401	249	180
Total assets	**12,892**	**14,917**	**15,416**	**13,746**
LIABILITIES				
Current liabilities				
Trade and other payables	469	508	1,499	1,080
Amounts due to ultimate holding, immediate holding and related companies	8,466	6,939	6,791	5,031
Borrowings	3,184	4,937	5,671	6,680
	12,119	12,384	13,961	12,791
Non-current liabilities				
Borrowings	152	116	11	–
	152	116	11	–
Total liabilities	**12,271**	**12,500**	**13,972**	**12,791**
NET ASSETS	**621**	**2,417**	**1,444**	**955**
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	5,648	5,648	5,648	5,648
Other reserves	760	720	596	534
Accumulated losses	(5,787)	(3,951)	(4,800)	(5,227)
TOTAL EQUITY	**621**	**2,417**	**1,444**	**955**
NAV per Share[(1)] (cents)	0.06	0.22	0.13	0.13
NAV per Share[(2)] (cents)	0.44	1.73	1.03	1.03

Notes:

(1) The NAV per Share has been computed based on 1,120,261,802 Shares, being the number of Shares in issue outstanding upon Completion before the Proposed Share Consolidation of every eight (8) existing Shares into one (1) Consolidated Share.

(2) The NAV per Share has been computed based on 140,032,726 Shares, being the number of Shares in issue outstanding upon Completion after the Proposed Share Consolidation of every eight (8) existing Shares into one (1) Consolidated Share.

23.2 OVERVIEW

The Target Company is a local in-country reseller of consumer and enterprise IT products and computer peripherals in Malaysia, including desktop CPUs, motherboards and VGA cards manufactured by established brands such as Intel, AMD, MSI and Gigabyte. In addition, it is also the in-country reseller for Malaysia for laptop computers that are manufactured under the "MSI" brand. Its customers include operators of IT retail stores and system integrators that focus on building custom computing systems in Malaysia.

Serial System Group commenced operations in the Thai IT Consumer Business in April 2022 under the Existing Thai Company. In connection with the Proposed Acquisition, the Company will be acquiring Serial System Group's 49.0% interest in the Target Thai Company, a company incorporated in Thailand that is dormant as at the date of this Circular. At Completion, the Existing Thai Company will cease operating in the Thai IT Consumer Business and the Target Thai Company will commence operations in the Thai IT Consumer Business. In this regard, the financial information of the Target Group for the financial year ended 31 December 2022 and the six-month period ended 30 June 2023 is prepared to illustrate the effects of the acquisition of the Target Thai Company with the commencement of operations in the Thai IT Consumer Business (from April 2022 to December 2022 and from 1 January 2023 to 30 June 2023) assuming such acquisition had been effected for the financial period ended 31 December 2022 and 30 June 2023 respectively.

Please refer to the section entitled "*Information on the Target Group and the Enlarged Group*" of the Circular for more details on the Target Group and Existing Thai Company's operations in the Thai IT Consumer Business.

Revenue

Revenue is derived from the sale of consumer and enterprise IT products and peripherals in Malaysia, including desktop CPUs, motherboard and VGA cards and laptop computers manufactured by established brands. The revenue breakdown for each geographical segment for FY2020, FY2021, FY2022, *pro forma* FY2022, *pro forma* 1H2022 and *pro forma* 1H2023 (assuming the acquisition of Thai IT Consumer Business with operations in Target Thai Company has been completed in FY2022 and 1H2023), is set out below.

	Target Company										Target Company and Thai IT Consumer Business					
	FY2020		FY2021		FY2022		1H2022		1H2023		FY2022		1H2022		1H2023	
	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%
Malaysia	37,463	100	54,202	100	37,244	100	17,984	100	21,402	100	37,244	83	17,984	93	21,402	62
Thailand	–	–	–	–	–	–	–	–	–	–	7,422	17	1,319	7	13,004	38
Total	**37,463**	**100**	**54,202**	**100**	**37,244**	**100**	**17,984**	**100**	**21,402**	**100**	**44,666**	**100**	**19,303**	**100**	**34,406**	**100**

Revenue contributed by product mix for the Period Under Review:

	Target Company										
	FY2020		FY2021		FY2022		1H2022		1H2023		3-Year CAGR
Product type	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	%
Desktop CPUs	18,493	49.4	21,806	40.2	13,867	37.2	5,846	32.5	7,328	34.2	(9.2)
LCD monitors	6,757	18.0	8,875	16.4	7,557	20.3	3,874	21.5	2,724	12.7	3.8
Motherboards	5,297	14.1	8,484	15.7	6,440	17.3	3,206	17.8	3,654	17.1	6.7
VGA cards	5,305	14.2	11,205	20.6	5,549	14.9	3,992	22.2	1,752	8.2	1.5
Laptop computers	–	–	–	–	2,192	5.9	–	–	4,972	23.2	–
Others	1,611	4.3	3,832	7.1	1,639	4.4	1,066	5.9	972	4.5	0.6
Total	**37,463**	**100**	**54,202**	**100**	**37,244**	**100**	**17,984**	**100**	**21,402**	**100**	**(0.2)**

During the Period Under Review, the Target Company diversified its product mix across key product groups. In FY2022, the Target Company expanded its products range to include laptop computers. Save for the drop in 3-Year CAGR of desktop CPU's sales mainly due to the lack of new product launches by CPU manufacturers in FY2022, other product groups such as LCD monitors, motherboards and VGA cards recorded compounded annual growth across the Period Under Review.

Revenue contributed by product mix for the Period Under Review for the Thai IT Consumer Business:

	Thai IT Consumer Business										
	FY2020		FY2021		FY2022		1H2022		1H2023		3-Year CAGR
Product type	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	%
Desktop CPUs	–	–	–	–	2,242	30.0	463	35.1	2,742	21.0	–
Motherboards	–	–	–	–	265	4.0	2	0.2	1,040	8.0	–
VGA cards	–	–	–	–	2,403	32	247	18.7	5,607	43.0	–
Hard risks	–	–	–	–	1,442	20	265	20.1	755	6.0	–
Memory cards	–	–	–	–	379	5.0	313	23.7	2,259	17.0	–
Others	–	–	–	–	691	9.0	29	2.2	601	5.0	–
Total	**–**	**–**	**–**	**–**	**7,422**	**100**	**1,319**	**100**	**13,004**	**100**	**–**

Revenue is mainly dependent on the following factors:

(a) Non-exclusive distributorship arrangements with the manufacturers

The Target Group does not have exclusive distributorship or sales representation agreements from products' manufactures, which means that other distributors or resellers can distribute comparable consumer products and compete with the Target Group in the same markets where it operates. Although the Target Group intends to maintain its current positive relationships with the manufacturers in the foreseeable future, there is no guarantee that these relationships will stay the same. The appointment of new distributors or resellers in the markets where the Target Group operates will adversely affect its revenue and profitability.

(b) Demand for consumer and enterprise IT products and peripherals

The revenue generated by the business of the Target Group is highly dependent on the demand for IT products and peripherals from end-users. If the end-user demand is high, it can lead to an increase in production levels, resulting in a corresponding increase in demand for the IT products and peripherals that are distributed by the Target Group. Conversely, weak demand from end-users can lead to production cutbacks, which may adversely impact the demand for the Target Group's IT products and peripherals.

(c) Supply of consumer and enterprise IT products and peripherals

If there is a shortage of IT products and peripherals in the industry, it will lead to a direct increase in their prices. On the other hand, if there is an oversupply of these products, their prices may go down. Furthermore, the entry of new distributors or the launch of competing products in the markets where the Target Group operates may increase the supply of IT products and peripherals, leading to a reduction in their prices and having a negative impact on the revenue of the Target Group. Essentially, any fluctuations in the availability and competition of IT products and peripherals can affect their prices and consequently impact the revenue of the Target Group.

(d) Dependent on key manufacturers/brands

The Target Group's financial performance is reliant on the new product launches by its key manufacturers and its ability to retain its current set of key manufacturers and the brands it represents, while also acquiring new distribution rights. Having a growing manufacturers base allows for a corresponding expansion in the Target Group's product range, which presents a favourable opportunity for revenue growth. Conversely, if the Target Group's relationship with the manufacturers is terminated, it could negatively impact the revenue of the Target Group as it would result in a limited product range.

(e) Dependent on existing customers

In addition to acquiring new customers, the Target Group's performance is also dependent on its ability to retain its existing customers. Any delay, reduction, and/or cancellation of orders by these customers can result in a decrease in the Target Group's turnover, which can negatively impact its financial performance. The ability of the Target Group to increase its revenue potential lies in its capability to broaden its customer base, which primarily falls under the purview of the sales and product marketing teams of the Target Group.

(f) Dependent on the performance of the Malaysia and Thailand markets

The Group's revenue is dependent on contributions from the sale of IT products and peripherals in Malaysia and Thailand. Any significant slowdown or decline in demand for the Target Group's products in these countries will have a significant impact on its overall performance. It is crucial for the Target Group to closely monitor market trends and adjust its strategies accordingly to ensure continued growth and success. Successful entries into new markets will increase the revenue potential while unsuccessful attempts will hinder the growth of future revenue of the Target Group.

Please refer to the section entitled "*Risk Factors*" of the Circular for other factors which may affect the revenue.

Cost of sales

Cost of sales is primarily derived from the expenses incurred in procuring computer peripherals from the manufacturers of the Target Group. More than 98% of the cost of sales comprises the costs of the products the Target Group purchases, while the remaining 2% comprises expenses related to freight and handling charges, customs clearance, and marine cargo insurance. Cost of sales for the Thai IT Consumer Business comprises costs of the products. The breakdown of cost of sales by geographical segments for FY2020, FY2021, FY2022 and *pro forma* FY2022, *pro forma* 1H2022 and *pro forma* 1H2023 (assuming the Thai IT Consumer Business with operations in the Target Thai Company has been completed in FY2022 and 1H2023) is set out below.

	Target Company										Target Company and Thai IT Consumer Business					
	FY2020		FY2021		FY2022		1H2022		1H2023		FY2022		1H2022		1H2023	
	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%
Malaysia	35,744	100	50,900	100	35,933	100	17,907	100	20,636	100	35,933	83.4	17,097	93	20,636	63
Thailand	–	–	–	–	–	–	–	–	–	–	7,128	16.6	1,278	7	12,367	37
Total	**35,744**	**100**	**50,900**	**100**	**35,933**	**100**	**17,907**	**100**	**20,636**	**100**	**43,061**	**100.0**	**18,375**	**100**	**33,003**	**100**

The Target Group's cost of sales is mainly influenced by the demand and supply conditions of IT products and peripherals in the consumer market. The costs incurred from the manufacturers of the Target Group are subject to price fluctuations resulting from changing market conditions. Other factors that impact the cost of sales of the Target Group include the ability to negotiate pricing with the manufacturers, as well as effective planning of inventory, which is crucial in minimizing the risk of inventory obsolescence due to rapid changes in technology. Such technology obsolescence can have a significant impact on the cost of sales. Additionally, fluctuations in foreign currency exchange rates can substantially affect the costs of sales, given that the purchases are primarily denominated in USD, while the sales are mainly in the local currency.

Other income

	Target Company										Target Company and Thai IT Consumer Business					
	FY2020		FY2021		FY2022		1H2022		1H2023		FY2022		1H2022		1H2023	
	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%
Malaysia	765	100	796	100	485	100	145	100	439	100	485	44	145	100	440	100
Thailand	–	–	–	–	–	–	–	–	–	–	627	56	1	–	–	–
Total	**765**	**100**	**796**	**100**	**485**	**100**	**145**	**100**	**439**	**100**	**1,112**	**100**	**146**	**100**	**440**	**100**
% of total revenue	**2.00%**		**1.50%**		**1.30%**		**0.8%**		**2.1%**		**2.50%**		**0.8%**		**1.3%**	

Other income mainly comprised incentive income from manufacturers, government grants, rental income realised and unrealised gain on foreign exchange, interest income and write back of allowances for inventory obsolescence. Other income in FY2020, FY2021, FY2022, 1H2022 and 1H2023 were USD0.76 million, USD0.80 million, USD0.48 million, USD0.15 million and USD0.44 million respectively and accounted for about 2.0%, 1.5%, 1.3%, 0.8% and 2.1% of the Target Company's total revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

The Thai IT Consumer Business' other income comprised rebates income from manufacturers and unrealised gain on foreign exchange. Other income for FY2022 and 1H2022 amounted to USD0.63 million and USD0.001 million, which accounted for about 8.4% and 0.01% of the Thai IT Consumer Business' total revenue respectively.

Distribution expenses

	Target Company										Target Company and Thai IT Consumer Business					
	FY2020		FY2021		FY2022		1H2022		1H2023		FY2022		1H2022		1H2023	
	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%
Malaysia	717	100	908	100	741	100	418	100	440	100	741	59	418	83	440	48
Thailand	–	–	–	–	–	–	–	–	–	–	515	41	83	17	474	52
Total	**717**	**100**	**908**	**100**	**741**	**100**	**418**	**100**	**440**	**100**	**1,256**	**100**	**501**	**100**	**914**	**100**
% of total revenue	**1.90%**		**1.70%**		**2.00%**		**2.3%**		**2.1%**		**2.80%**		**2.6%**		**2.7%**	

Distribution expenses comprised sales and marketing staff and related costs, freight and handling charges, packaging expenses, entertainment and traveling expenses, trade credit insurance, telecommunication and warehouse management and storage costs. Distribution expenses in FY2020, FY2021, FY2022, 1H2022 and 1H2023 were USD0.72 million, USD0.91 million, USD0.74 million, USD0.42 million and USD0.44 million respectively and accounted for about 1.9%, 1.7%, 2.0%, 2.3% and 2.1% of the Target Company's total revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

The Thai IT Consumer Business' distribution expenses comprised sales and marketing staff and related costs, freight and handling costs, packaging expenses, entertainment, travelling expenses and telecommunication. Distribution expenses for FY2022, 1H2022 and 1H2023 amounted to USD0.52 million, USD0.08 million and USD0.48 million respectively, which accounted for about 6.9%, 6.3% and 3.6% of Thai IT Consumer Business' total revenue for FY2022, 1H2022 and 1H2023 respectively.

Administrative expenses

	Target Company										Target Company and Thai IT Consumer Business					
	FY2020		FY2021		FY2022		1H2022		1H2023		FY2022		1H2022		1H2023	
	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%
Malaysia	562	100	639	100	679	100	46	100	69	100	679	78	46	71	69	53
Thailand	–	–	–	–	–	–	–	–	–	–	194	22	19	29	60	47
Total	**562**	**100**	**639**	**100**	**679**	**100**	**46**	**100**	**69**	**100**	**873**	**100**	**65**	**100**	**129**	**100**
% of total revenue	**1.50%**		**1.20%**		**1.80%**		**0.3%**		**0.3%**		**2.00%**		**0.3%**		**0.6%**	

Administrative expenses comprised statutory expenses, office and warehouse rental expense, utilities costs, legal fees, bank charges, security expenses, repair and maintenance, telecommunication costs, depreciation for property, plant and equipment and management fees (comprising shared management services, trust receipt charges and corporate guarantee fee) paid to related companies and the ultimate holding company. Administrative expenses in FY2020, FY2021, FY2022, 1H2022 and 1H2023 were USD0.56 million, USD0.64 million, USD0.68 million, USD0.05 million and USD0.07 million respectively and accounted for 1.5%, 1.2%, 1.8%, 0.3% and 0.3% of Target Company's total revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

The Thai IT Consumer Business' administrative expenses comprised statutory expenses, office and warehouse rental expenses, utilities costs, bank charges, security expenses, repair and maintenance, telecommunication costs, depreciation for property, plant and equipment and stationery and printing. Administrative expenses for FY2022, 1H2022 and 1H2023 amounted to USD0.19 million, USD0.02 million and USD0.06 million, which accounted for about 2.6%, 1.4% and 0.5% of the Thai IT Consumer Business' total revenue.

Finance costs

	Target Company										Target Company and Thai IT Consumer Business					
	FY2020		FY2021		FY2022		1H2022		1H2023		FY2022		1H2022		1H2023	
	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%
Malaysia	220	100	134	100	265	100	119	100	198	100	265	72	119	83	198	86
Thailand	–	–	–	–	–	–	–	–	–	–	104	28	25	17	31	14
Total	**220**	**100**	**134**	**100**	**265**	**100**	**119**	**100**	**198**	**100**	**369**	**100**	**144**	**100**	**229**	**100**
% of total revenue	**0.60%**		**0.20%**		**0.70%**		**0.7%**		**0.9%**		**0.80%**		**0.7%**		**0.9%**	

Finance costs comprised mainly interest expenses on bank loans and borrowings, interest costs for letter of credit and lease liabilities. Finance costs in FY2020, FY2021, FY2022, 1H2022 and 1H2023 were USD0.22 million, USD0.13 million, USD0.27 million, USD0.12 million and USD0.20 million respectively and accounted for 0.6%, 0.2%, 0.7%, 0.7% and 0.9% of Target's Company's total revenue in FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

The Thai IT Consumer Business' finance costs comprised mainly interest expenses for bank borrowings and inter-company working capital loans. Finance costs for FY2022, 1H2022 and 1H2023 amounted to USD0.10 million, USD0.03 million and USD0.03 million which accounted for about 1.4%, 1.9% and 0.2% of Thai IT Consumer Business' total revenue.

Loss allowance on receivables

	Target Company										Target Company and Thai IT Consumer Business					
	FY2020		FY2021		FY2022		1H2022		1H2023		FY2022		1H2022		1H2023	
	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%
Malaysia	26	100	87	100	–	–	3	100	4	100	–	–	3	100	4	100
Thailand	–	–	–	–	–	–	–	–	–	–	3	100	–	–	1	–
Total	**26**	**100**	**87**	**100**	**–**	**–**	**3**	**100**	**4**	**100**	**3**	**100**	**3**	**100**	**5**	**100**
% of total revenue	**0.10%**		**0.20%**		**–**		**0%**		**0%**		**0.01%**		**0%**		**0%**	

Loss allowance on receivables is computed by applying the simplified approach in accordance with SFRS(I) 9 using the expected credit loss model. Loss allowance on trade receivables for FY2020, FY2021, FY2022, 1H2022 and 1H2023 were USD0.03 million, USD0.09 million, nil, USD0.003 million and USD0.004 million respectively and accounted for 0.1%, 0.2%, nil, 0% and 0% of Target's Company total revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

For FY2022, 1H2022 and 1H2023, the Thai IT Consumer Business recorded loss allowance on receivables of USD0.003 million, nil and USD0.001 million, which accounted for about 0.05%, nil and 0.01% of the Thai IT Consumer Business' total revenue respectively.

Other operating expenses

	Target Company										Target Company and Thai IT Consumer Business					
	FY2020		FY2021		FY2022		1H2022		1H2023		FY2022		1H2022		1H2023	
	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%	USD'000	%
Malaysia	214	100	490	100	958	100	944	100	920	100	958	65	944	92	920	52
Thailand	–	–	–	–	–	–	–	–	–	–	506	35	79	8	868	48
Total	**214**	**100**	**490**	**100**	**958**	**100**	**944**	**100**	**920**	**100**	**1,464**	**100**	**1,023**	**100**	**1,788**	**100**
% of total revenue	**0.60%**		**0.90%**		**2.60%**		**5.2%**		**4.3%**		**3.30%**		**5.3%**		**5.2%**	

Other operating expenses comprised mainly staff and related costs, depreciation of right-of-use assets, allowance for inventory obsolescence, inventories written off, realised loss on foreign exchange, and fair value changes on an investment property. Other expenses in FY2020, FY2021, FY2022, 1H2022 and 1H2023 were USD0.21 million, USD0.50 million, USD0.96 million, USD0.94 million and USD0.92 million respectively and accounted for 0.6%, 0.9%, 2.6%, 5.2% and 4.3% of the Target Company's total revenue for FY2020, FY2021, FY2022, 1H2022 and 1H2023 respectively.

Other expenses for the Thai IT Consumer Business comprised mainly realised loss on foreign exchange and allowances for inventory obsolescence. Other expenses for FY2022, 1H2022 and 1H2023 amounted to USD0.50 million, USD0.08 million and USD0.87 million, which accounted about 6.8%, 6.0% and 6.8% of the Thai IT Consumer Business' total revenue.

Taxation

The Malaysia and Thailand entities are taxed in accordance with the respective prevailing tax regulations of the jurisdictions in which they are incorporated. The prevailing corporate income tax rates in Malaysia for FY2020, FY2021, FY2022, 1H2022 and 1H2023 were 24% whilst the prevailing corporate income tax for Thailand for FY2022, 1H2022 and 1H2023 was 20%.

23.3 REVIEW OF PAST PERFORMANCE

FY2021 vs FY2020

Revenue

Revenue of the Target Company increased by USD16.7 million or 45% from USD37.5 million in FY2020 to USD54.2 million in FY2021. The increase in revenue was mainly attributable to higher sales of computer peripherals in Malaysia as a result from work-from-home measures implemented by the government to contain the spread of COVID-19. Revenue contributed by products mix of desktop CPUs, LCD monitors, motherboards and VGA cards increased by 18%, 31%, 60% and 111% respectively from FY2020 to FY2021. In relation to LCD monitors, motherboards and VGA cards, the increase in revenue was attributable to both an increase in prices and increase in volume sold. In relation to CPUs, the increase in revenue was largely as a result of the increase in volume sold.

Gross profit

Gross profit of the Target Company increased by USD1.58 million or 92% from USD1.72 million in FY2020 to USD3.30 million in FY2021. This increase in gross profit was higher than the growth in revenue as the Target Company was able to earn higher profit margin on the products attributed to the strong consumer demand as well as the global chip shortage.

Gross margin of the Target Company increased from 4.6% in FY2020 to 6.1% in FY2021 buoyed by higher margins sales for PC and gaming peripherals which enjoyed increased demand in FY2021. Global chip shortage also contributed to the higher margin in FY2021. Gross margin contributed by products mix of desktop CPU, LCD monitors, motherboard and VGA card increased by 1%, 1%, 1% and 3% respectively from FY2020 to FY2021.

Other income

Other income of the Target Company increased by USD0.03 million or 5% from USD0.77 million in FY2020 to USD0.80 million in FY2021. This was due to higher supplier incentives income of about USD0.12 million and higher write back of allowances of inventory obsolescence of about USD0.13 million. The increase was partially offset by an absence of government subsidies in FY2021 (FY2020: USD0.03 million) and a net exchange gain of about USD0.20 million recorded in FY2020 as opposed to an exchange loss recorded in FY2021.

Distribution expenses

Distribution expenses of the Target Company increased by USD0.19 million or 27% from USD0.72 million in FY2020 to USD0.91 million in FY2021. The increase was mainly due to higher sales and marketing staff and related costs of about USD0.14 million and increased freight and handling charges of about USD0.05 million, in line with the increase in sales in FY2021.

Administrative expenses

Administrative expenses of the Target Company increased by USD0.08 million or 14% from USD0.56 million in FY2020 to USD0.64 million in FY2021. This was mainly attributable to higher management fees (comprising shared management services, trust receipt charges and corporate guarantee fee) charged by SIFE and SMPL, being the immediate holding company and related companies of the Target Company about USD0.08 million due mainly to the increase in purchases of products through SIFE and SMPL in line with the increase in sales in FY2021.

Finance costs

Finance costs of the Target Company decreased by USD0.08 million or 39% from USD0.22 million in FY2020 to USD0.13 million in FY2021 mainly due to lower proceeds from bank borrowings during FY2021.

Loss allowance on receivables

Loss allowance on receivables of the Target Company increased from USD0.03 million in FY2020 to USD0.09 million in FY2021 mainly due to loss allowance for the amount owing from the subsidiary of about USD0.02 million in FY2021 (FY2020: nil) and increase in expected credit losses for certain customers amounting to about USD0.06 million in FY2021 (FY2020: USD0.03 million) due to longer overdue days.

Other operating expenses

Other operating expenses of the Target Company increased by USD0.28 million or 133% from USD0.21 million in FY2020 to USD0.49 million in FY2021. The increase was mainly due to recognised loss on foreign exchange of about USD0.29 million in FY2021 as opposed to an exchange gain in FY2020, higher depreciation for property, plant and equipment of about USD0.04 million, and higher other operating expenses of about USD0.01 million. The increase was partially offset by lower stocks written off of about USD0.06 million in FY2021.

Profit before income tax

Profit before income tax of the Target Company increased by USD1.10 million or 147% from USD0.74 million in FY2020 to USD1.84 million in FY2021 mainly attributable to higher gross profit of about USD1.58 million in FY2021 when compared to FY2020 contributed by higher sales and higher gross profit margin. The increase in profit before income tax was partially offset by loss on foreign exchange of about USD0.29 million in FY2021 versus gain on foreign exchange of about USD0.20 million in FY2020.

FY2022 vs FY2021 (TARGET COMPANY AND THAI IT CONSUMER BUSINESS)

Revenue

Revenue of the Target Company decreased by USD17.0 million or 31% from USD54.2 million in FY2021 to USD37.2 million in FY2022. The decrease in revenue was mainly attributable to a weaker market as work-from-home measures progressively eased in Malaysia in FY2022 and the lack of new products launches by CPU manufacturers further dampened the sales of associated peripherals like SSD, RAM and VGA cards. Revenue contributed by products mix of desktop CPUs, LCD monitors, motherboards and VGA cards decreased by 36%, 15%, 24% and 50% respectively from FY2021 to FY2022. In relation to LCD monitors, motherboards and VGA cards, the decrease in revenue was attributable to both a decrease in prices and in volume sold. In relation to CPUs, the decrease in revenue was largely as a result of the decrease in volume sold.

The Thai IT Consumer Business which commenced operations in April 2022 recorded a revenue of USD7.42 million from sales of desktop CPUs, motherboards, memory and VGA cards as it gradually on boarded product lines for sales.

The combined revenue of the Target Group in FY2022 was USD44.7 million.

Gross profit

Gross profit of the Target Company decreased by USD1.99 million or 60% when compared with FY2021 mainly due to lower sales resulting from weak demand for consumer products.

Gross margin of the Target Company decreased to 3.5% in FY2022 from 6.1% in FY2021. The lower gross margin in FY2022 was primarily due to keen market competition in a challenging market affected by a weak market and inventory oversupply situation amid easing of work-from-home measures and in part due to clearance of aged inventories at a low profit margin. Appreciation of the United States Dollar against the Malaysian Ringgit further resulted in higher cost of sales and impacted the Target Company's gross margin negatively. Gross margin contributed by a mix of products, comprising desktop CPUs, LCD monitors, motherboards and VGA cards, decreased by 2%, 1%, 3% and 4% respectively from FY2021 to FY2022.

The Thai IT Consumer Business recorded a gross profit of USD0.29 million and gross margin of 4% in FY2022.

Other income

Other income of the Target Company decreased by USD0.31 million or 39% from USD0.80 million in FY2021 to USD0.49 million in FY2022. The lower other income in FY2022 was mainly due to lower supplier incentive income of about USD0.29 million, which is paid to the Target Company by the Manufacturers upon the Target Company meeting certain of the Manufacturers' pre-determined sales targets, and a write back of allowances for inventory obsolescence of about USD0.17 million recorded in FY2021 as opposed to allowances for inventory obsolescence of about USD0.20 million included in other operating expenses in FY2022. The decline was partially offset by unrealised gain on foreign exchange of about USD0.14 million recorded in FY2022.

The Thai IT Consumer Business contributed USD0.63 million to other income, mainly from unrealised gain on foreign exchange of about USD0.45 million.

Overall, other income of the Target Group increased by USD0.31 million or 38% from USD0.80 million in FY2021 to USD1.11 million in FY2022.

Distribution expenses

Distribution expenses of the Target Company decreased by USD0.17 million or 18% from USD0.91 million in FY2021 to USD0.74 million in FY2022. The decrease was mainly due to lower staff-related costs of about USD0.19 million and lower freight and handling charges of about USD0.02 million in line with lower sales, partially offset by higher trade credit insurance charges of USD0.04 million.

The Thai IT Consumer Business recorded distribution expenses of USD0.52 million in FY2022, comprising mainly freight and handling charges of USD0.18 million and staff-related costs of USD0.23 million.

Overall, distribution expenses of the Target Group increased by USD0.34 million or 38% from USD0.91 million in FY2021 to USD1.26 million in FY2022.

Administrative expenses

Administrative expenses of the Target Company increased by USD0.04 million or 6.3% from USD0.64 million in FY2021 to USD0.68 million in FY2022. The increase was mainly due to higher professional fees on consulting and tax related matters of USD0.04 million incurred in FY2022.

The Thai IT Consumer Business recorded administrative expenses of USD0.19 million in FY2022, mainly from bank charges of USD0.08 million, office rental of USD0.03 million and depreciation of property, plant and equipment of USD0.02 million.

Overall, administrative expenses of the Target Group increased by USD0.23 million or 37% from USD0.64 million in FY2021 to USD0.87 million in FY2022 mainly from the contribution of the Thai IT Consumer Business.

Finance costs

Finance costs of the Target Company increased by USD0.13 million due to higher bank borrowings and higher interest costs in FY2022.

The Thai IT Consumer Business recorded finance costs of USD0.11 million in FY2022.

Overall, finance costs of the Target Group increased by USD0.24 million or 176% from USD0.13 million in FY2021 to USD0.37 million in FY2022.

Loss allowance on receivables

Loss allowance on receivables of the Target Company decreased by USD0.09 million from USD0.09 million in FY2021 to a reversal of loss allowance on receivables of about USD0.02 million recognised in other income in FY2022. The decrease was mainly due to lesser overdue receivables outstanding as at 31 December 2022 as compared to 31 December 2021.

The Thai IT Consumer Business recorded a loss allowance on receivables of USD0.003 million in FY2022.

Other operating expenses

Other operating expenses of the Target Company increased by USD0.47 million from USD0.49 million in FY2021 to USD0.96 million in FY2022, mainly due to recognition of fair value loss on foreign exchange forward contracts of about USD0.21 million, higher allowances for inventory obsolescence of about USD0.20 million, and higher recognised loss on foreign exchange of about USD0.23 million. The increase was partially offset by lower staff-related costs of about USD0.02 million in FY2022 and a recognised foreign exchange loss of about USD0.15 million in FY2021 as compared to a recognised foreign exchange gain of about USD0.14 million recorded in other income in FY2022.

The Thai IT Consumer Business recorded other expenses of USD0.51 million in FY2022, mainly a recognised foreign exchange loss of USD0.31 million.

Overall, other expenses of the Target Group increased by USD0.97 million or 199% from USD0.49 million in FY2021 to USD1.47 million in FY2022.

Loss before income tax

The Target Company recorded a loss before income tax of USD0.85 million as compared to a profit before income tax of USD1.84 million in FY2021. The loss in FY2022 was mainly due to lower gross profit of about USD1.99 million as a result of lower sales and lower gross profit margin, allowances for inventory obsolescence of about USD0.20 million as opposed to write back of allowances for inventory obsolescence of about USD0.17 million in FY2021, unrealised fair value loss on foreign exchange contract of about USD0.21 million, lower manufacturers' incentive income of about USD0.29 million, which is paid to the Target Company by the Manufacturers upon the Target Company meeting certain of the Manufacturers' pre-determined sales targets, and higher finance costs of about USD0.13 million. The increase was partially offset by lower staff related costs of about USD0.21 million.

The Thai IT Consumer Business recorded a loss before income tax of USD0.40 million in FY2022 primary due to its start-up phase as its gross profit earned from sales was insufficient to cover its operating costs.

Overall, the Target Group recorded a loss before income tax of USD1.25 million in FY2022 as compared to profit before income tax of USD1.84 million in FY2021.

1H2023 vs 1H2022 (TARGET COMPANY AND THAI IT CONSUMER BUSINESS)

Revenue

Revenue of the Target Company increased by USD3.4 million or 19% from USD18 million in 1H2022 to USD21.4 million in 1H2023. The increase in revenue was mainly attributable to newly onboarded new product line, MSI in 1H2023 as well as higher sales boosted by new products launches by CPU and mother boards manufacturers. The increase was partially offset by lower sales for LCD monitors and VGA cards resulting from weak demand for these products in 1H2023.

Revenue contributed by products mix of desktop CPUs and motherboards increased by 25% and 14%, whilst that of LCD monitors and VGA cards decreased by 30%, and 56% respectively, from 1H2022 to 1H2023.

Revenue contributed by the Thai IT Consumer Business which commenced operations in April 2022, increased from USD1.32 million in 1H2022 to USD13.0 million in 1H2023 as it gradually on boarded product lines for sales.

The combined revenue of the Target Group in 1H2023 was USD34.4 million.

Gross profit

Gross profit of the Target Company decreased by USD0.12 million or 14% when compared with 1H2022 mainly due to lower sales resulting from weak demand for consumer products.

Gross margin of the Target Company decreased to 3.6% in 1H2023 from 4.9% in 1H2022. The lower gross margin in 1H2023 was primarily due to keen market competition in a challenging market affected by a weak market and inventory oversupply situation. The gross margin was also impacted by clearance of aged inventories at lower profit margin in 1H2023. Gross margin contributed by products mix of desktop CPU, LCD monitors, motherboard and VGA card decreased by 0.6%, 0.1%, 0.8% and 4.5% respectively from 1H2022 to 1H2023.

The Thai IT Consumer Business recorded a gross profit of USD0.6 million and gross margin of 4.9% in 1H2023.

Other income

Other income of the Target Company increased by USD0.30 million or 203% from USD0.15 million in 1H2022 to USD0.44 million in 1H2023. The higher other income in 1H2023 was mainly due to higher supplier incentive income of about USD0.09 million and recognition of fair value gain on foreign exchange forward contracts of about USD0.21 million.

Overall, other income of the Target Group increased by USD0.29 million or 201% from USD0.14 million in 1H2022 to USD0.44 million in 1H2023.

Distribution expenses

Distribution expenses of the Target Company increased by USD0.02 million or 5% from USD0.42 million in 1H2022 to USD0.44 million in 1H2023. The increase was mainly due to higher freight and handling charges of USD0.1 million and staff-related costs of about USD0.01 million.

The Thai IT Consumer Business recorded distribution expenses of USD0.47 million in 1H2023, comprising mainly freight and handling charges of USD0.2 million and staff-related costs of USD0.24 million.

Overall, distribution expenses of the Target Group increased by USD0.41 million or 82% from USD0.5 million in 1H2022 to USD0.91 million in 1H2023.

Administrative expenses

Administrative expenses of the Target Company increased by USD0.02 million or 50% from USD0.05 million in 1H2022 to USD0.07 million in 1H2023. The increase was mainly due to higher credit card merchant fees of USD0.02 million incurred in 1H2023.

The Thai IT Consumer Business recorded administrative expenses of USD0.06 million in 1H2023, mainly from office rental of USD0.01 million and office-related charges of USD0.05 million.

Overall, administrative expenses of the Target Group increased by USD0.06 million or 86% from USD0.07 million in 1H2022 to USD0.13 million in 1H2023 mainly from the contribution of the Thai IT Consumer Business.

Finance costs

Finance costs of the Target Company increased by USD0.08 million or 66% from USD0.12 million in 1H2022 to USD0.20 million in 1H2023 due to higher bank borrowings and higher interest costs in 1H2023.

The Thai IT Consumer Business recorded finance costs of USD0.03 million in 1H2023.

Overall, finance costs of the Target Group increased by USD0.08 million or 59% from USD0.14 million in 1H2022 to USD0.23 million in 1H2023.

Loss allowance on receivables

Loss allowance on receivables of the Target Company increased by USD0.001 million or 33% from USD0.003 million in 1H2022 to USD0.004 million in 1H2023. The increase was mainly due to longer overdue days of certain customers as at 30 June 2023 as compared to 30 June 2022.

The Thai IT Consumer Business recorded a loss allowance on receivables of USD0.001 million in 1H2023.

Overall, loss allowance on receivables of the Target Group increased by USD0.002 or 67% million from USD0.003 million in 1H2022 to USD0.005 million in 1H2023.

Other operating expenses

Other operating expenses of the Target Company decreased by USD0.02 million or 3% from USD0.94 million in 1H2022 to USD0.92 million in 1H2023, mainly due to lower allowances for inventory obsolescence of about USD0.28 million, lower foreign exchange loss of about USD0.03 million and lower management fees of about USD0.07 million. The decline was partially offset by higher staff-related costs of about USD0.10 million and fixed assets written off of about USD0.26 million.

The Thai IT Consumer Business recorded other expenses of USD0.87 million in 1H2023, mainly from foreign exchange loss of USD0.36 million and allowances for inventory obsolescence of USD0.36 million in 1H2023.

Overall, other expenses of the Target Group increased by USD0.77 million or 75% from USD1.02 million in 1H2022 to USD1.79 million in 1H2023.

Loss before income tax

The Target Company recorded a loss before income tax decreased by USD0.07 million or 14% from USD0.43 million in 1H2023 as compared to a loss before income tax of USD0.5 million in 1H2022, mainly due to lower gross profit of about USD0.12 million as a result of lower sales and lower gross profit margin, and higher finance costs and credit card merchant fees of about USD0.10 million. The loss was partially offset by a fair value gain on foreign exchange forward contracts of about USD0.20 million and higher manufacturers' incentive income of about USD0.09 million.

The Thai IT Consumer Business recorded a loss before income tax of USD0.8 million in 1H2023 primarily due to foreign exchange loss of USD0.36 million and allowances for inventory obsolescence of USD0.36 million in 1H2023.

Overall, the Target Group recorded a loss before income tax of USD1.22 million in 1H2023 as compared to profit before income tax of USD0.66 million in 1H2022.

23.4 REVIEW OF FINANCIAL POSITION OF TARGET COMPANY

As at 31 December 2022

Current assets

As at 31 December 2022, current assets of USD15.17 million accounted for 98.4% of total assets. Current assets comprised cash and cash equivalents, trade and other receivables, inventories, amounts due from related companies and immediate holding company and tax recoverable.

As at 31 December 2022, cash and cash equivalents amounted to USD1.34 million or 8.8% of total current assets.

As at 31 December 2022, trade and other receivables of USD6.83 million, constituted 45.1% of total current assets. Trade and other receivables comprised trade receivables (net) of USD6.07 million, deposits and prepayments of USD0.58 million and other receivables of USD0.18 million. The increase of prepayment from USD0.03 million in FY2021 to USD0.52 million in FY2022 was mainly due to prepayments made in December 2022 to SIFE, an Interested Person, for inventory purchases. The Target Company does not in the ordinary course of its business make such prepayments, and the increase in prepayments in FY2022 as compared with FY2021 was as a result of a purchase by the Target Company from SIFE for inventory on 31 December 2022. However, as SIFE did not receive payment on 31 December 2022 due to timing differences in the fund transfer process, such fund transfer was recorded as a prepayment and subsequently applied as payment to SIFE for the purchase on behalf of inventory. Other receivables comprised mainly receivables from manufacturers' rebates of USD0.18 million.

As at 31 December 2022, inventories of USD6.86 million, constituted 45.2% of total current assets. Inventories comprise mainly IT products and peripherals including desktop CPUs, motherboards and VGA cards.

As at 31 December 2022, the amounts due from related companies and immediate holding company of USD0.13 million accounted for about 0.9% of total current assets. Amounts due from related companies and immediate holding company are mainly trade-related.[1]

1 Amounts due from a subsidiary, related companies and immediate holding company increased from USD62,000 as at 31 December 2020 to USD 1,203,000 as at 31 December 2021 mainly due to a payment made by the Target Company on behalf of its wholly-owned subsidiary, Straitsmart Sdn. Bhd, for its purchases. The said amount was fully settled in FY2022.

As at 31 December 2022, tax recoverable amounted to USD2,095.

Non-current assets

As at 31 December 2022, non-current assets of USD0.25 million accounted for about 1.6% of Target Company's total assets. Non-current assets comprised property, plant and equipment and investment property.

As at 31 December 2022, property, plant and equipment amounted to USD0.14 million or 54.2% of total non-current assets. Property, plant and equipment comprised right-of-use assets, renovations, computers, furniture and fittings, and office equipment.

As at 31 December 2022, investment property of USD0.11 million constituted 45.8% of total non-current assets. Investment property related to a leasehold building located at No. 249, Jalan Dagang 1/9, Taman Dagang, 68000 Ampang, Selangor Darul Ehsan, Malaysia.

Current liabilities

As at 31 December 2022, current liabilities of USD13.96 million accounted for 99.9% of total liabilities. Current liabilities comprised trade and other payables, amounts due to ultimate holding, immediate holding, and related companies and borrowings.

As at 31 December 2022, trade and other payables of USD1.50 million accounted for 10.7% of total current liabilities as at 31 December 2022. Trade and other payables comprised trade payables of USD0.75 million and other payables due to third parties of USD0.45 million, derivative financial instruments of USD0.21 million and accrued expenses of USD0.09 million. Accrued expenses comprised staff-related costs, freight charges and other operating expenses. The Target Group has adopted a foreign exchange hedging policy under which it purchases derivative financial instruments such as forward and options contracts from time to time to hedge its foreign currency exposure on its payables.

As at 31 December 2022, amounts due to ultimate holding, immediate holding, and related companies amounted to USD6.79 million or 48.6% of total current liabilities. The amounts due to SIFE and SMPL, being the immediate holding company and related companies of USD6.23 million were trade in nature. The amounts due to ultimate holding company and related company of USD0.56 million were non-trade in nature.

As at 31 December 2022, borrowings of USD5.67 million comprising bank borrowings and lease liabilities accounted for 40.6% of total current liabilities. Bank borrowings of USD5.57 million comprised banker's acceptances and revolving credit loans. Lease liabilities of USD0.1 million related to current portion of the outstanding lease payment in respect of the office and warehouse located at Wisma Academy, Petaling Jaya, Selangor Darul Ehsan, Malaysia.

Non-current liabilities

As at 31 December 2022, non-current liabilities of USD0.01 million accounted for 0.1% of total liabilities.

Non-current liabilities related to lease liabilities on the non-current portion of the outstanding lease payment in respect of the office and warehouse located at Wisma Academy, Petaling Jaya, Selangor Darul Ehsan, Malaysia.

Total equity

As at 31 December 2022, total equity amounting to USD1.44 million comprised USD5.6 million of issued ordinary share capital of the Target Company, currency translation reserve of USD0.6 million, and accumulated losses of USD4.8 million.

The commencement by the Target Thai Company of operations in the Thai IT Consumer Business will not involve any transfer of assets or liabilities. Accordingly, the statement of financial position of the Thai IT Consumer Business operated by the Existing Thai Company is not prepared as it would not be meaningful.

As at 30 June 2023

Current assets

As at 30 June 2023, current assets of USD13.57 million accounted for 98.7% of total assets. Current assets comprised cash and cash equivalents, trade and other receivables, inventories, amounts due from related companies and immediate holding company and tax recoverable.

As at 30 June 2023, cash and cash equivalents amounted to USD0.92 million or 6.7% of total current assets.

As at 30 June 2023, trade and other receivables of USD7.97 million, constituted 58.0% of total current assets. Trade and other receivables comprised trade receivables (net) of USD7.51 million, deposits and prepayments of USD0.14 million and other receivables of USD0.32 million. Other receivables comprised mainly receivables from manufacturers' rebates of USD0.28 million.

As at 30 June 2023, inventories of USD4.67 million, constituted 34.0% of total current assets. Inventories comprise mainly IT products and peripherals including desktop CPUs, motherboards and VGA cards.

As at 30 June 2023, tax recoverable amounted to USD2,470.

Non-current assets

As at 30 June 2023, non-current assets of USD0.18 million accounted for about 1.3% of Target Company's total assets. Non-current assets comprised property, plant and equipment and investment property.

As at 30 June 2023, property, plant and equipment amounted to USD0.07 million or 40.6% of total non-current assets. Property, plant and equipment comprised right-of-use assets, renovations, computers, furniture and fittings, and office equipment.

As at 30 June 2023, investment property of USD0.11 million constituted 59.4% of total non-current assets. Investment property related to a leasehold building located at No. 249, Jalan Dagang 1/9, Taman Dagang, 68000 Ampang, Selangor Darul Ehsan, Malaysia.

Current liabilities

As at 30 June 2023, current liabilities of USD12.79 million accounted for 100% of total liabilities. Current liabilities comprised trade and other payables, amounts due to ultimate holding, immediate holding, and related companies and borrowings.

As at 30 June 2023, trade and other payables of USD1.08 million accounted for 8.4% of total current liabilities as at 30 June 2023. Trade and other payables comprised trade payables of USD0.14 million and other payables due to third parties of USD0.81 million, and accrued expenses of USD0.13 million. Accrued expenses comprised staff-related costs, freight charges and other operating expenses.

As at 30 June 2023, amounts due to ultimate holding, immediate holding, and related companies amounted to USD5.03 million or 39.3% of total current liabilities. The amounts due to SIFE, SMPL and SerialTec, being the immediate holding company and related companies of USD3.77 million were trade in nature. The amounts due to ultimate holding company and related company of USD1.26 million were non-trade in nature.

As at 30 June 2023, borrowings of USD6.68 million comprising bank borrowings and lease liabilities accounted for 52.2% of total current liabilities. Bank borrowings of USD6.63 million comprised banker's acceptances, invoice financing and revolving credit loans. Lease liabilities of USD0.05 million related to current portion of the outstanding lease payment in respect of the office and warehouse located at Wisma Academy, Petaling Jaya, Selangor Darul Ehsan, Malaysia.

Total equity

As at 30 June 2023, total equity amounting to USD0.96 million comprised USD5.6 million of issued ordinary share capital of the Target Company, currency translation reserve of USD0.5 million, and accumulated losses of USD5.2 million.

The transfer of the existing Thai IT Consumer Business to the newly incorporated Target Thai Company will not involve any transfer of assets or liabilities. Accordingly, the statement of financial position of the Thai IT Consumer Business operated by the Existing Thai Company is not prepared as it would not be meaningful.

23.5 UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following selected financial information should be read in conjunction with the full text of the Letter to Shareholders including the "*Independent Auditors' Assurance Report and the Compilation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2022 and the Six-Month Period Ended 30 June 2023*" as set out in Appendix D to this Circular and the related notes elsewhere in the Circular.

The unaudited *pro forma* financial result of the Enlarged Group for FY2022 and 1H2023 has been prepared based on the following assumptions:

(i) The unaudited *pro forma* statement of profit or loss and other comprehensive income had taken into account the net loss before income tax of USD0.40 million and USD0.79 million contributed by the Thai IT Consumer Business, had the Target Thai Company operated the existing Thai IT Consumer Business from April 2022 to December 2022 and 1H2023 respectively.

(ii) The unaudited *pro forma* statements of financial position did not take into account balance sheet items pertaining to the Existing Thai Company's operations in the Thai IT Consumer Business as the commencement by the Target Thai Company of operations in the Thai IT Consumer Business will not involve any transfer of assets or liabilities.

(iii) The unaudited *pro forma* financial information had taken into consideration the results, assets and liabilities of the Company. The expenses of the Company comprising mainly directors' remuneration, statutory expenses, SGX listing fees and other professional fees totalled USD0.68 million for FY2022.

(iv) The unaudited *pro forma* financial information had considered the effects of the reverse acquisition of USD3.29 million, introducer fees of USD0.37 million and acquisition-related costs of USD0.97 million.

(v) The Interco Loan and Interco Balance as described in section 15 of the Circular will be capitalised as the share capital of the Company.

PRO FORMA STATEMENTS OF PROFIT OR LOSS OF THE ENLARGED GROUP

	Pro Forma	
	Unaudited	
	FY2022	1H2023
	USD'000	USD'000
Sales	44,666	34,406
Cost of sales	(43,061)	(33,003)
Gross profit	**1,605**	**1,403**
Other income	1,118	445
Interest	6	3
Other operating	1,112	442
Expenses		
Distribution	(1,256)	(914)
Administrative	(1,115)	(250)
Finance	(369)	(229)
Other:		
Loss allowance on trade and other receivables	(3)	(5)
Other operating	(6,519)	(1,853)
Total expenses	**(9,262)**	**(3,251)**
Loss before income tax	(6,539)	(1,403)
Income tax expense	(2)	(1)
Loss after income tax	**(6,541)**	**(1,404)**
Loss attributable to equity holders of the Company	**(6,541)**	**(1,404)**

PRO FORMA FINANCIAL POSITION OF THE ENLARGED GROUP

	Pro Forma	
	Unaudited	
	31 December 2022	30 June 2023
	USD'000	USD'000
ASSETS		
Current assets		
Cash and cash equivalents (including restricted deposits)	2,662	1,755
Trade and other receivables	6,836	7,972
Amounts due from immediate holding and related companies	131	–
Inventories	6,856	4,674
Tax recoverable	2	2
	16,487	14,403
Property, plant and equipment	135	73
Investment property	114	107
	249	180
Total assets	**16,736**	**14,583**
LIABILITIES		
Current liabilities		
Trade and other payables	2,600	1,878
Amounts due to ultimate holding, immediate holding and related companies	3,791	2,031
Borrowings	5,671	6,680
	12,062	10,589
Non-current liabilities		
Borrowings	11	–
	11	–
Total liabilities	**12,073**	**10,589**
NET ASSETS	**4,663**	**3,994**
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	13,500	13,500
Other reserves	596	534
Accumulated losses	(9,433)	(10,040)
TOTAL EQUITY	**4,663**	**3,994**

PRO FORMA STATEMENTS OF CASH FLOWS OF THE ENLARGED GROUP

	Pro Forma	
	Unaudited	
	31 December 2022 USD'000	30 June 2023 USD'000
Cash Flows from operating activities		
Loss before income tax	(6,539)	(1,403)
Adjustments for:		
Loss on reverse acquisition	3,290	–
Introducer fees	373	–
Depreciation of property, plant and equipment	120	62
Gain on disposal of property, plant and equipment	(12)	2
Fair value changes on investment property	5	–
Reversal of accrual expenses	(67)	–
Reversal of impairment loss on receivables, net	(15)	5
Allowances for inventories obsolescence	204	400
Interest income	(5)	(3)
Interest expenses	370	229
Unrealised exchange difference	(139)	821
Operating cash flows before working capital changes	(2,415)	113
Changes in working capital changes:		
Trade and other receivables	(740)	(1,447)
Inventories	(1,831)	1,735
Trade and other payables	2,837	(950)
Amounts due to immediate holding companies	1,980	(1,759)
Amounts due from/to related companies	(511)	(554)
Cash used in operations	(1,130)	(2,862)
Interest received	5	3
Interest paid	(260)	(196)
Income taxes paid	(16)	(2)
Net cash used in operating activities	(1,401)	(3,057)
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(1)	(2)
Proceeds from disposal of property, plant and equipment	12	–
Advances to related companies	(1)	–
Withdrawal of restricted deposit in escrow account	19,410	–
Net cash generated from investing activities	19,420	(2)
Cash Flows from Financing Activities		
Proceeds from borrowings	22,760	20,795
Repayment of borrowings	(21,761)	(19,339)
Principal payment of lease liabilities	(108)	(53)
Advances from ultimate holding company, net	288	(210)
Repayment to immediate holding company, net	(591)	260
Advances from related companies, net	69	885
Cash distributed to shareholders arising from capital reduction of the Company	(8,893)	–
Cash distributed to non-controlling interest arising from capital reduction of a subsidiary	(1)	–
Dividends paid	(10,524)	–
Net cash used in financing activities	(18,761)	2,338
Net decrease in cash and cash equivalents	(742)	(721)
Effect of exchange rate fluctuations on cash and cash equivalents	(1)	(186)
Cash and cash equivalents at beginning of the financial year	2,943	2,205
Cash and cash equivalents at end of the financial year	**2,200**	**1,298**

23.6 LIQUIDITY AND CAPITAL RESOURCES

As at the Latest Practicable Date, the Target Company has two (2) sources of cash categorised as internal and external sources. Internal sources of fund refer to cash generated from the Company's operating activities. External sources of funds comprise mainly borrowings from banks, credits / loans from ultimate holding, immediate holding and related companies, credit granted by holding company and capital investment from shareholders. The principal uses of these cash sources are to finance purchases, capital expenditure and operating expenses such as salary and related costs, distribution expenses and administrative expenses.

Source of Liquidity

The Target Company financed its operations through both internal and external sources. Internal sources of funds comprised cash generated from operating activities. External sources of funds comprised facilities from banks, and ultimate holding company and related companies of the Serial System Group. Please refer to section entitled "*Capitalisation and Indebtedness*" of this Target Group's Letter to Shareholders for further details.

As at the 31 October 2023, the Target Company had total banking facilities of approximately USD7.94 million, of which USD4.1 million was utilised and USD3.84 million or approximately 48% of the total banking facilities remained unutilised.

As at 31 October 2023, cash and cash equivalents of the Target Company amounted to USD0.81 million.

Under a deed of undertaking dated 27 December 2023 (the "**Serial System Deed of Undertaking**"), Serial System has unconditionally and irrevocably undertaken to the Company that:

(i) in the event the Target Thai Company requires working capital for its day-to-day operations, it shall further extend working capital loans to the Target Thai Company of up to a maximum of USD4 million on a cost recovery basis, repayable at the discretion of the Target Thai Company;

(ii) it shall continue to provide, and shall procure that its subsidiaries continue to provide, corporate guarantees and other supporting security, including standby letters of credit and trust receipts, in favour of the Target Group at no cost for a period of two (2) years following Completion (and such rate to be subject to review by the New Audit and Risk Committee every two (2) years thereafter). For the avoidance of doubt, there is no limit to such financial support;

(iii) in relation to the Interco Loan, being a loan of USD1 million (equivalent to SGD1.37 million, based on the mutually agreed Q12023 average exchange rate of USD1:SGD1.3696) which was extended by SMPL to the Target Company and the Interco Balances, being an amount of USD2 million (equivalent to SGD 2.74 million, based on the mutually agreed Q12023 average exchange rate of USD1:SGD1.3696) due and owing by the Target Company to the Serial System Group, arising from transactions between the Target Company and the Serial System Group during the Relevant Period, it undertakes to accept the settlement of all amounts outstanding under the Interco Loan (including principal and interest) and the Interco Balances via an issuance of 17,410,169 Interco Shares to Serial System at the Issue Price at Completion;

(iv) in relation to the distribution of AMD Products by SerialTec during the Period Under Review, it shall procure that: (a) SerialTec does not place any new orders for Non-AMD Products; and (b) SerialTec will sell off all its inventory of AMD Products within six (6) months following Completion; and

(v) in relation to any sums due from the Target Group to Serial System, Serial System will not demand for repayment until such time when the Target Group has the ability to repay these sums.

The Serial System Deed of Undertaking does not contain any other material conditions (including any reference to Serial System's continued interest in the Target Group).

The Proposed New Directors are of the reasonable opinion that, after having made due and careful enquiry and after taking into account:

(a) the Target Group's operations;

(b) the Target Company's banking facilities (including UOB Malaysia's agreement to continue extending the banking facilities to the Target Company until the next review and Maybank's confirmation to the Target Company that all terms and conditions contained in the letters of offer and other ancillary documents issued by Maybank and accepted by the Target Company shall remain in full force and effect) and the corporate guarantee and other supporting security provided by Serial System at the request of the Target Company's bankers to secure the Target Company's banking facilities only;

(c) the existing cash and cash equivalents of the Target Company (after taking into account the Proposed Capitalisation (as defined below) and the repayment in full by the Target Company of all amounts outstanding under its banking arrangements with Maybank);

(d) Serial System's undertaking to accept the settlement of all amounts outstanding under the Interco Loan, being a loan of USD1 million (equivalent to SGD1.37 million, based on the mutually agreed Q12023 average exchange rate of USD1:SGD1.3696) which was extended by SMPL to the Target Company and all amounts outstanding under the Interco Balances, being an amount of USD2 million (equivalent to SGD2.74 million, based on the mutually agreed Q12023 average exchange rate of USD1:SGD1.3696) due and owing by the Target Company to the Serial System Group arising from transactions between the Target Company and the Serial System Group during the Relevant Period, via an issuance of 17,410,169 Interco Shares to Serial System at the Issue Price at Completion pursuant to the Serial System Deed of Undertaking (the "**Proposed Capitalisation**"). The Proposed Capitalisation is expected to contribute positively towards the operating cash flow of the Target Company; and

(e) in relation to the Target Thai Company, (i) as the Target Thai Company was incorporated to address the potential conflicts of interest arising from Serial System's operations in the Thai IT Consumer Business; and (ii) as the Target Thai Company is a newly incorporated company which will commence operations in the Thai IT Consumer Business on Completion, Serial System's undertaking to extend working capital loans to the Target Thai Company of up to a maximum of USD4 million on a cost recovery basis in the event the Target Thai Company requires working capital for its day-to-day operations, repayable at the discretion of the Target Thai Company, pursuant to the Serial System Deed of Undertaking,

without considering (i) the Interco Loan and the Interco Balances, which would have been settled in full following the Proposed Capitalisation; and (ii) any other financial support from Serial System to the Target Company that does not relate to securing the Target Company's current borrowings, the working capital available to the Target Group as at the date of lodgement of this Circular (excluding the proceeds to be raised from the Proposed Compliance Placement) is sufficient for present requirements and for at least twelve (12) months after the listing of the Target Company on Catalist.

The Sponsor is of the reasonable opinion that, after having made due and careful enquiry and after taking into account:

(a) the Target Group's operations;

(b) the Target Company's banking facilities (including UOB Malaysia's agreement to continue extending the banking facilities to the Target Company until the next review and Maybank's confirmation to the Target Company that all terms and conditions contained in the letters of offer and other ancillary documents issued by Maybank and accepted by the Target Company shall remain in full force and effect) and the corporate guarantee and other supporting security provided by Serial System at the request of the Target Company's bankers to secure the Target Company's banking facilities only;

(c) the existing cash and cash equivalents of the Target Company (after taking into account the Proposed Capitalisation and the repayment in full by the Target Company of all amounts outstanding under its banking arrangements with Maybank);

(d) the Proposed Capitalisation. The Proposed Capitalisation is expected to contribute positively towards the operating cash flow of the Target Company; and

(e) in relation to the Target Thai Company, (i) as the Target Thai Company was incorporated to address the potential conflicts of interest arising from Serial System's operations in the Thai IT Consumer Business; and (ii) as the Target Thai Company is a newly incorporated company which will commence operations in the Thai IT Consumer Business on Completion, Serial System's undertaking to extend working capital loans to the Target Thai Company of up to a maximum of USD4 million on a cost recovery basis in the event the Target Thai Company requires working capital for its day-to-day operations, repayable at the discretion of the Target Thai Company, pursuant to the Serial System Deed of Undertaking,

without considering (i) the Interco Loan and the Interco Balances, which would have been settled in full following the Proposed Capitalisation; and (ii) any other financial support from Serial System to the Target Company that does not relate to securing the Target Company's current borrowings, the working capital available to the Target Group as at the date of lodgement of this Circular (excluding the proceeds to be raised from the Proposed Compliance Placement) is sufficient for present requirements and for at least twelve (12) months after the listing of the Target Company on Catalist.

The following table sets out a summary of the Target Company's cash flows during the Period Under Review as follows.

	Target Company				
	FY2020 Audited USD'000	**FY2021 Audited USD'000**	**FY2022 Audited USD'000**	**1H2022 Unaudited USD'000**	**1H2023 Unaudited USD'000**
Net cash provided by/(used in) operating activities	1,731	(1,269)	(777)	(446)	(2,573)
Net cash (used in)/provided by investing activities	(229)	(1,169)	10	12	(2)
Net cash (used in)/provided by financing activities	(660)	1,479	657	997	2,338
Net increase/(decrease) in cash and cash equivalent at the end of the reporting period	842	(959)	(110)	563	(238)
Effect of currency rate changes on cash and cash equivalents	13	*	5	(110)	(187)
Cash and cash equivalents at the beginning of the reporting period	1,552	2,407	1,448	1,448	1,343
Cash and cash equivalents at the end of the reporting period	2,407	1,448	1,343	1,901	918

*Less than USD1.000

FY2020

In FY2020, positive operating cash flows before changes in working capital amounted to USD1.05 million, resulting from profit before tax of USD0.75 million, adjusted for non-cash expenses of USD0.30 million. Net cash generated from working capital of USD0.68 million was due to increase in trade and other payables of USD0.24 million and increase in amounts due to immediate holding company and related companies of USD2.22 million, partially offset by increase in trade and other receivables of USD1.52 million, increase in inventories of USD0.05 million and net interest paid of USD0.21 million.

Net cash used in investing activities amounted to USD0.23 million, attributable to purchase of office equipment of USD0.06 million, addition of investment property of USD0.13 million, and advances to its subsidiary of USD0.04 million.

Net cash used in financing activities amounted to USD0.66 million, attributable to net repayment of bank borrowings of USD1.52 million and lease liabilities of USD0.08 million, partially offset by advances from ultimate and immediate holding companies and related companies amounting to USD0.94 million.

As at 31 December 2020, cash and cash equivalents of the Target Company were USD2.40 million.

FY2021

In FY2021, positive operating cash flows before changes in working capital amounted to USD2.17 million, resulting from profit before tax of USD1.84 million, adjusted for non-cash expenses of USD0.33 million. Net cash used in working capital of USD3.44 million was due to increase in trade and other receivables of USD1.33 million, increase in inventories of USD0.82 million, decrease in amounts due to immediate holding company and related companies of USD1.17 million, and net interest paid of USD0.12 million.

Net cash used in investing activities amounted to USD1.17 million attributable to advances to its subsidiary of USD1.17 million.

Net cash from financing activities amounted to USD1.48 million, attributable to advances from immediate holding company and related companies amounting to USD0.25 million and net proceeds from bank borrowings of USD1.86 million, partially offset by repayment to ultimate holding company of USD0.51 million and lease liabilities of USD0.11 million.

As at 31 December 2021, cash and cash equivalents of the Target Company were USD1.45 million.

FY2022

In FY2022, negative operating cash flows from operating activities before changes in working capital amounted to USD0.43 million, resulting from loss before tax of USD0.85 million, adjusted for non-cash expenses of USD0.42 million. Net cash used in working capital of USD0.34 million was due to increase in trade and other receivables of USD0.79 million, increase in inventories of USD1.83 million, decrease in amount due to related company of USD0.51 million and net interest paid of USD0.25 million. These were partially offset by increase in trade and other payables of USD1.06 million, and increase in amount due to immediate holding company of USD1.98 million.

Net cash from investing activities amounted to USD0.01 million, attributable to proceeds from disposal of office equipment of USD0.01 million.

Net cash from financing activities amounted to USD0.66 million, attributable to net proceeds from bank borrowings of USD1.0 million and advances from ultimate holding company and related companies of USD0.36 million. These were partially offset by repayment to immediate holding company of USD0.59 million and lease liabilities of USD0.10 million. Notwithstanding that the revenue of the Target Group declined from FY2021 to FY2022, the increase of net cash from the financing activities net proceeds from bank borrowings was due to the increase in inventory level in FY2022.

As at 31 December 2022, cash and cash equivalents of the Target Company were USD1.34 million.

1H2022

In 1H2022, positive operating cash flows from operating activities before changes in working capital amounted to USD0.15 million, resulting from loss before tax of USD0.5 million, adjusted for non-cash expenses of USD0.65 million. Net cash used in working capital of USD0.60 million was due to increase in inventories of USD2.3 million, decrease in trade and other payables of USD0.28 million, and decrease in amount due to immediate holding company of USD0.31 million and net interest paid of USD0.11 million. These were partially offset by decrease in trade and other receivables of USD2.0 million and increase in amount due to related company of USD0.37 million.

Net cash from investing activities amounted to USD0.01 million, attributable to proceeds from disposal of office equipment of USD0.01 million.

Net cash from financing activities amounted to USD1.0 million, attributable to net proceeds from bank borrowings of USD0.78 million and advances from ultimate holding company and related companies of USD0.27 million. These were partially offset by repayment to subsidiary company of USD0.003 million and lease liabilities of USD0.06 million.

As at 30 June 2022, cash and cash equivalents of the Target Company were USD1.90 million.

1H2023

In 1H2023, positive operating cash flows from operating activities before changes in working capital amounted to USD0.04 million, resulting from loss before tax of USD0.43 million, adjusted for non-cash expenses of USD0.47 million. Net cash used in working capital of USD2.62 million was due to increase in trade and other receivables of USD1.45 million, decrease in trade and other payables of USD0.40 million, and decrease in amount due to immediate holding company and related companies of USD2.31 million and net interest paid of USD0.19 million. These were partially offset by decrease in inventories of USD1.73 million.

Net cash from investing activities amounted to USD0.002 million, attributable to purchase of office equipment of USD0.002 million.

Net cash from financing activities amounted to USD2.34 million, attributable to net proceeds from bank borrowings of USD1.46 million and advances from immediate holding company and related companies of USD1.15 million. These were partially offset by repayment to ultimate holding company of USD0.21 million and lease liabilities of USD0.05 million.

As at 30 June 2023, cash and cash equivalents of the Target Company were USD0.92 million.

23.7 SEASONALITY

Generally, the distribution business of enterprise IT products and computer peripherals, tends to be less affected by seasonal trends when compared to other industries. This is because IT products are required throughout the year by consumers and businesses for various purposes. However, the Target Group experiences an increase in demand for its products as and when the manufacturers/brands introduce new products into the market.

23.8 INFLATION

Financial performance of the Target Group for the Period Under Review was not materially affected by inflation.

23.9 CAPITAL EXPENDITURE AND DIVESTMENTS AND COMMITMENTS

Capital Expenditure

The capital expenditures made by the Target Company during the Period Under Review were as follows:

	FY2020	FY2021	FY2022	1H2023	1 July 2023 to the Latest Practicable Date
	USD'000	USD'000	USD'000	USD'000	USD'000
Acquisition[1]					
Premises[2]	224	98	–	–	–
Renovations	54	–	–	–	–
Office equipment	–	–	–	1	1
Computers	4	2	1	1	14
Motor Vehicle	–	–	–	–	–
Furniture and fittings	–	2	–	–	–
Total	282	102	1	2	15

Notes:

(1) This relates to the costs of the property, plant and equipment acquired during the respective financial year.

(2) Right-of-use assets acquired under leasing arrangement are presented together with the owned assets of the same class.

The above capital expenditures were mainly financed by internal sources of funds.

Divestments

The divestments made by the Target Company during the Period Under Review were as follows:

	FY2020	FY2021	FY2022	1H2023	1 July 2023 to the Latest Practicable Date
	USD'000	USD'000	USD'000	USD'000	USD'000
Premises	–	39	48	–	–
Renovations	4	–	–	59	–
Office equipment	–	–	–	29	–
Computer	–	–	–	55	–
Motor Vehicle	–	–	18	–	–
Furniture and fittings	–	–	–	26	5
Total	4	39	66	169	5

Capital Commitments

As at 31 December 2022 and the Latest Practicable Date, the Target Group does not have any material capital commitments.

Lease Commitments

Following the Group's adoption of the new lease standard under IFRS 16, where all leases are recognised on the statement of financial position as right-of-use assets and corresponding lease liabilities, the Target Company does not have any operating lease commitment as at 31 December 2022 and the Latest Practicable Date.

Contingent Liabilities

As at the Latest Practicable Date, the Target Company does not have any material contingent liabilities.

23.10 FOREIGN EXCHANGE MANAGEMENT

Accounting Treatment of Foreign Currencies

Items included in the financial statements of each Company in the Target Group are measured using the currency of its primary economic environment in which the Company operates (the "**functional currency**"). The functional currencies of Malaysia and Thailand entities are RM and THB respectively. The financial information is presented in USD.

Foreign currency transactions are translated into RM and THB at the exchange rates approximating those prevailing at transaction dates. Foreign currency monetary assets and liabilities are translated at closing rates as at the balance sheet date. All profits and losses on the foreign exchange fluctuations are dealt with through the statements of profit or loss.

Foreign Exchange Exposure

The functional currency of the Target Company and the Target Thai Company is in RM and THB respectively. Sales and operating expenses are denominated mainly in RM and THB respectively, whilst purchases are denominated primarily in USD.

The proportions of sales, purchases and operating expenses denominated in the respective currencies of the Target Company and Existing Thai Company are as follows:

Percentage of revenue denominated in	**FY2020**	**FY2021**	**FY2022**	**1H2023**	**From 1 July 2023 to the Latest Practicable Date**
	%	**%**	**%**	**%**	**%**
RM	97	94	75	58	58
USD	3	6	9	4	3
THB	–	–	16	38	39
	100	100	100	100	100

Percentage of purchases denominated in	**FY2020**	**FY2021**	**FY2022**	**1H2023**	**From 1 July 2023 to the Latest Practicable Date**
	%	**%**	**%**	**%**	**%**
RM	1	–	7	–	–
USD	99	100	92	97	98
THB	–	–	1	3	2
	100	100	100	100	100

Percentage of expenses denominated in	FY2020	FY2021	FY2022	1H2023	From 1 July 2023 to the Latest Practicable Date
	%	%	%	%	%
RM	72	75	52	30	37
USD	27	23	29	39	36
THB	1	2	1	30	26
SGD	–	–	18	1	1
	100	100	100	100	100

To the extent that sales, purchases, and operating expenses are not naturally matched in the same currency and to the extent that there are timing differences between invoicing and collections/ payments, there will be exposure to adverse fluctuations of the USD against the RM and THB, which will adversely affect earnings.

Net foreign exchange exposure of the Target Company for the Period Under Review were as follows:

	FY2020	FY2021	FY2022	1H2023	From 1 July 2023 to the Latest Practicable Date
	USD'000	USD'000	USD'000	USD'000	USD'000
Net foreign exchange gain/ (loss)	203	(291)	(233)	(536)	(462)
As a percentage of revenue (%)	0.5	0.5	0.6	2.5	1.1
As a percentage of profit/ (loss) before tax (%)	27.2	15.8	(27.5)	(125.4)	(64.4)

The Target Group has adopted a foreign currency hedging policy and it enters into relevant transactions, when necessary, to hedge its exposure to foreign currency fluctuations. Such procedures will be reviewed and approved by its New Audit and Risk Committee and the Board.

23.11 SIGNIFICANT ACCOUNTING POLICY CHANGES

There has been no significant change in the accounting policies for the Target Company during the Period Under Review. Please refer to the "*Independent Auditors' Report on the Financial Statements for the Financial Years Ended 31 December 2020, 2021 and 2022 of the Target Company*", "*Independent Auditors' Review Report on the Unaudited Interim Condensed Financial Statements of the Target Company for the Financial Period from 1 January 2023 to 30 June 2023*" and the *"Independent Auditors' Assurance Report and the Compilation of the Unaudited Pro Forma Consolidated Financial Information of the Enlarged Group for the Financial Year Ended 31 December 2022 and the Six-Month Period Ended 30 June 2023*" *as set* out in Appendix B, Appendix C and Appendix D to this Circular for more details on the Target Company's accounting policies.

24. CAPITALISATION AND INDEBTEDNESS

Target Company

The following table shows the cash and cash equivalents as well as capitalisation and indebtedness of the Target Company:

(a) as at 30 June 2023 based on the unaudited consolidated statement of financial position of the Target Company as at 30 June 2023; and

(b) as at 31 October 2023, being a date no earlier than sixty (60) days before the date of this Target Group's Letter to Shareholders, based on the unaudited management accounts of the Target Company as at 31 October 2023.

(USD'000)	As at 30 June 2023	As at 31 October 2023
Cash and cash equivalents	918	809
Indebtedness (including lease liabilities)		
Current		
- Amount due to immediate, ultimate or related companies excluding trade in nature	1,257	1,127
- secured and guaranteed	–	–
- secured and non-guaranteed	–	–
- unsecured and guaranteed	6,680	4,103
- unsecured and non-guaranteed	–	–
Non-current		
- secured and guaranteed	–	–
- secured and non-guaranteed	–	–
- unsecured and guaranteed	–	–
- unsecured and non-guaranteed	–	–
Total indebtedness	7,937	5,230
Total Shareholders' equity	955	665
Total capitalisation and indebtedness	8,892	5,895

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular.

Cash and cash equivalents

Target Company

As at 31 October 2023, the Target Company had cash and cash equivalents of approximately USD0.81 million.

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular.

Indebtedness

Target Company

As at 31 October 2023, the Target Company's current indebtedness amounted to approximately USD4.10 million comprising borrowings and lease liabilities.

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular.

Credit facilities

Target Company

As at 31 October 2023, the Target Group maintains the following credit facilities:

Financial institution	Nature of facilities	Amount of facilities granted (RM)	Amount of facilities drawn down as at 30 June 2023 (RM)	Amount unutilised as at 31 October 2023 (RM)	Amount outstanding as at 31 October 2023 (RM)	Interest rate per annum	Maturity Profile
UOB Malaysia (1)(4)(5)	Bankers acceptance, revolving credit, financial guarantee	27,000,000 (equivalent to USD 6,126,000) in aggregate	24,657,000 (equivalent to USD 5,270,000) in aggregate	7,571,000 (equivalent to USD 2,043,000)	19,429,000 (equivalent to USD4,083,000)	4.98% - 5.63%	90 – 120 days (3)
Maybank (2)(4)(5)(6)	Promissory foreign exchange, invoice financing	8,000,000 (equivalent to USD1,815,000) in aggregate	6,344,473 (equivalent to USD 1,356,000) in aggregate	8,000,000 (equivalent to USD1,815,000)	–(6)	4.58% – 5.32%	90 – 120 days (3)

Notes:

(1) Secured by corporate guarantees for RM29,400,000 (equivalent to USD 6.67 million) granted by each of SerialTec and Serial System and an irrevocable standby letter of credit amounting to RM7 million (equivalent to USD 1.58 million) from United Overseas Bank Ltd (Singapore). The guaranteed amounts include foreign exchange facilities.

(2) Secured by a corporate guarantee granted by Serial System and an asset sale agreement for RM12,000,000 (equivalent to USD 2.72 million) over Shariah compliant commodities determined by Maybank had as per the e-certificate or such other evidence of ownership maintained by Maybank. Under the letter of offer, the asset sale agreement is the security document in respect of the islamic banking facility offered by Maybank.

(3) The banking facilities comprise ongoing trade facilities a tenure of ninety (90) – one-hundred and twenty (120) days which are utilised by the Target Company to pay its suppliers and which must be repaid upon maturity of the tenure. Such facilities would be available for drawdown on an ongoing basis to the extent repaid by the Target Company.

(4) The Target Company may not declare, pay or make any dividend or bonus issue or other distribution without the prior written consent of the bank.

(5) The Target Company shall not without any prior consent from the bank permit any change in its existing shareholders or their respective shareholdings or in its existing composition of partners. On 25 April 2023, UOB Malaysia had informed the Target Company that it had no objection to consent to the Proposed Acquisition and on 10 October 2023, Maybank consented to the change in shareholding structure, board of directors and/or key management personnel of the Target Company arising from the Proposed Acquisition and the discharge of the existing corporate guarantee(s) provided by Serial System and for the existing corporate guarantees to be replaced with a corporate guarantee by the Company post Completion.

(6) The Target Company had on 26 October 2023 repaid all amounts due to Maybank.

The banking facilities of RM27 million (equivalent to USD6.13 million) provided by United Overseas Bank (Malaysia) Berhad ("**UOB Malaysia**") comprises bankers' acceptance, revolving credit and financial guarantees and the banking facilities of RM8 million (equivalent to USD1.82 million) provided by Maybank comprises promissory foreign exchange and invoice financing. Such banking facilities are not term loans but are trade facilities and are utilised by the Target Company to pay its suppliers and which must be repaid upon maturity of the tenure. Such facilities would be available for drawdown on an ongoing basis to the extent repaid by the Target Company.

The Target Company's facilities contain various covenants and undertakings that contain certain restrictions and limit certain of the Target Company's ability to engage in specified types of transactions, including but not limited to declaring and paying dividends, disposing of material assets, creating or permitting to subsist further security, substantially altering the nature of its business, amalgamating, consolidating, merging or undertaking a reorganisation, permitting or undertaking any change of its management, changes of shareholding and/or changes of its constitutive documents.

UOB Malaysia

In particular, under the Target Company's banking arrangements with UOB Malaysia, the Target Company had agreed with UOB Malaysia to comply with the following financial covenants:

(a) a gearing ratio covenant, under which the Target Company's gearing ratio shall not at any time exceed 1.75 times (the "**Gearing Ratio Covenant**"). For the purposes of computation, the gearing ratio is defined as the ratio of the Target Company's bank borrowings against total net worth (less intangibles and pre-operating expenses) plus loans and advances from Serial System (subordinated). Total bank borrowings include the sums of bank borrowings that are not interest free. It also includes bills, notes, bonds, commercial papers, trust receipts, overdrafts, amount due to banks and any form of interest-bearing loans; and

(b) a debt servicing ratio covenant, under which Serial System shall maintain a debt servicing ratio of not less than 1.0 time at all times at consolidated level ("**Debt Servicing Ratio Covenant**").

In the course of UOB Malaysia's review of the Target Company's account, which is typically conducted on an annual basis and completed prior to end April of each year, it was noted that certain of these covenants were not complied with. As at 31 October 2023, the Target Company's gearing ratio is 1.11, and as such the Target Company has not breached the Gearing Ratio Covenant. However, Serial System's Debt Servicing Ratio is 0.19 as at31 October 2023, which is not in compliance with the Debt Servicing Ratio Covenant. In the event of a breach of such financial covenants, UOB Malaysia has the absolute discretion to revise or recall the banking arrangements granted to the Target Company. Notwithstanding this, UOB Malaysia had, by way of letters dated 26 March 2021, 7 April 2022 and 12 April 2023, confirmed that after each of the reviews conducted, UOB Malaysia was agreeable to continue extending the bank facilities to the Target Company until the next review. As at the Latest Practicable Date, the Target Company has engaged with UOB Malaysia for an amendment to the financial covenants. However, UOB Malaysia had, on 12 April 2023, indicated to the Target Company that it would only be assessing amendments to the financial covenants at the next annual review. Based on past experience, UOB Malaysia's review of the Target Company typically completes by end-April of each year.

Following Completion, the New Audit and Risk Committee will ensure that the Target Company effects an amendment to its existing financial covenants with UOB Malaysia in order to allow the Target Company to comply with the terms of such financial covenants. In the event UOB Malaysia does not agree to such an amendment, the New Audit and Risk Committee will ensure that appropriate waivers have been obtained to ensure the banking facilities continue to remain in force and that the Target Company would continue to have a right to utilise the banking facilities.

As at the Latest Practicable Date, the Target Company does not foresee any difficulties in obtaining either an amendment to the existing financial covenants, or, in the event UOB Malaysia does not agree to such an amendment, an appropriate waiver to ensure that the banking facilities continue to remain in force and that the Target Company would continue to have a right to utilise the banking facilities.

Maybank

In addition, under the Target Company's banking arrangements with Maybank pursuant to a letter of offer dated 15 June 2022 (the "**Maybank facility**"), the Target Company had agreed with Maybank to comply with the following financial covenant:

The gearing ratio, which is defined as total liabilities over total tangible net worth, shall not exceed 2.0 times throughout the financing tenure and to be based on the Target Company's audited financial statements for FY2022 and onwards.

During FY2022, the Target Company did not draw down on the Maybank facility and only did so in 1H2023. The Target Company had noted, through the course of an internal review, that the Target Company's gearing ratio had exceeded the 2.0 times during 1H2023. As at31 October 2023, the gearing ratio of the Target Company is 14.15 times (assuming the Proposed Capitalisation has been completed as at 31 October 2023, the gearing ratio of the Target Company will be 1.75 times). In the event of a breach of such financial covenant, Maybank has the absolute discretion to revise or recall the banking arrangements granted to the Target Company. In order to minimise any adverse impact on the Target Company, the Target Company had on 26 October 2023 repaid all amounts due to Maybank under its existing banking arrangements and will, prior to any future drawdown, ensure that the Target Company would be in a position to comply with the gearing ratio. Notwithstanding the foregoing, Maybank had on 21 June 2023 confirmed to the Target Company that all terms and conditions contained in the letters of offer and other ancillary documents issued by Maybank and accepted by the Target Company shall remain in full force and effect. The Target Company will engage with Maybank regarding the financial covenant at the next review, which is expected to be completed before May or June next year. The Target Company understands from Maybank that it would only be assessing amendments to the financial covenant at the next annual review. Following Completion, the New Audit and Risk Committee will ensure that the Target Company effects an amendment to its existing financial covenant with Maybank in order to allow the Target Company to comply with the terms of such financial covenant, prior to any drawdown under the Maybank facility. In the event Maybank does not agree to such an amendment, the New Audit and Risk Committee will ensure that appropriate waivers have been obtained to ensure the banking facilities continue to remain in force and to ensure the Target Company's continued right to utilise the banking facilities.

As at the Latest Practicable Date, the Target Company does not foresee any difficulties in obtaining either an amendment to the existing financial covenant, or, in the event Maybank does not agree to such an amendment, an appropriate waiver to ensure that the banking facilities continue to remain in force and that the Target Company would continue to have a right to utilise the banking facilities.

Pursuant to Rule 728 read with Rule 704(33) of the Catalist Rules, Serial System, who will be a Controlling Shareholder of the Company post Completion, has provided undertakings to notify the Company, as soon as it becomes aware of any share pledging relating to its shares held in the Company, and of any event which will be an event of default, an enforcement event or an event that would cause acceleration of the repayment of the principal amount of the relevant loan or debt facilities. The Company will also comply with the announcement requirements under Rule 728(2) of the Catalist Rules upon any such notification by the Controlling Shareholder.

As at the Latest Practicable Date, to the best of the Proposed New Board's knowledge, and save as disclosed in this section, the Target Company has not received any notice of termination to terminate or recall the Target Company's existing credit arrangements and the Target Company is not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect the Target Company's financial position and results of business operations, or the investment of Shareholders in the Shares.

The Target Company will announce all material developments relating to its facilities with UOB Malaysia and Maybank via SGXNet in a timely manner, including any amendments to the UOB Malaysia and the Maybank financial covenant and the Target Group's compliance with the terms and conditions applicable to its borrowings with UOB Malaysia and Maybank.

The Target Group has undertaken not to effect a drawdown of any of its banking facilities unless it is in compliance with the applicable terms and conditions of such banking facilities, including any applicable financial covenant, or an appropriate waiver has been obtained from the bank to ensure that the banking facilities are still in force and available to the Target Group.

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular. As such, as at the Latest Practicable Date, the Target Thai Company does not have any cash or cash equivalents, credit facilities or indebtedness.

Contingent Liabilities

Target Company

As at the Latest Practicable Date, the Proposed New Board is not aware of any contingent liabilities which may have a material effect on the financial position and profitability of the Target Company.

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular. As such, the Target Thai Company does not have any contingent liabilities.

25. PROSPECTS, TRENDS AND FUTURE PLANS

25.1 Prospects

Save as disclosed in the section titled "*Trend Information*" of this Target Group's Letter to Shareholders and barring any unforeseen circumstances, the Proposed New Board believes demand for IT products and computer peripherals in Malaysia, Thailand and the Asia Pacific region is likely to increase in the long term for the following reasons:

(a) Growth of the Global Computer Peripherals Market

The global computer peripherals market is expected to reach USD1,216.9 billion in 2032, growing at a compound annual growth rate ("**CAGR**") of 10.6% from 2022 to 2032.(1) The outbreak of COVID-19 acted as a large restraint on the market in 2020 due to the disruption in supply chains and trade restrictions. However, it also generated an increased demand for laptops and related computer hardware as companies look to support their employees working from home.(2) As a result, companies dealing in IT peripherals have experienced a surge in demand for PCs from commercial and consumer end-users.(3)

From 2022 to 2032, the Asia-Pacific region is anticipated to be the fastest-growing market. The growth of the region can be attributed to rapidly developing nations such as India and China.(1) The region is expected to have a CAGR of 12.4% from 2022 to 2032.

Further market growth is expected to be driven by the rapidly evolving computer peripheral devices to meet changing user needs, growing disposable income and the demand for external storage devices.

Additionally, the rise in digitalisation of educational institutions are expected to positively impact the market, with various schools adopting virtual education methods and offering online courses.(1) In Malaysia, for example, the Malaysia Ministry of Education announced a refresh of its digital learning platform titled DELIMa, averaging 1.7 million monthly active users to-date, encompassing 10,000 schools, 370,000 teachers and 2.5 million students in the system, making it one of the largest national deployments in the world.(4) In Thailand, information and communication technology has been also been commonly adopted for learning and teaching within higher education, where learning systems such as ClassStart are commonly used.(5)

(b) Increasing trend towards e-Sports which will fuel the demand for high-end computing products

E-sports, which refers to organised competitive video gaming, has also grown in popularity in recent years, with major tournaments and events drawing large audiences and generating significant revenue. The global e-Sports market is projected to grow from USD1.44 billion in 2022 to USD5.48 billion by 2029, at a CAGR of 21.0%. Market growth is due to an increased live streaming of games, significant investments, increasing viewership, engagement activity and league tournament infrastructure. Additionally, the market is benefiting from the growing revenue opportunities due to the increased specialisation of different players in the industry, such as gamers, organizers, influencers, and game developers.(6)

In 2020, the market witnessed a substantial increase in investment, reaching USD2 billion, which is a 116% rise compared to the previous year. This trend is expected to continue, driven by the increasing number of franchise-style leagues and a growing audience. As a result, the market is projected to experience further growth in the coming years.(7)

This increasing trend towards e-Sports has resulted in a greater demand for gaming accessories in countries other than China, such as Indonesia, Vietnam, Malaysia, etc. Currently, the Asia-Pacific region holds the largest market share of the gaming accessories market, whilst Southeast Asia holds the most significant revenue share.(8)

(c) Growing prominence of cloud applications will increase the demand for data centres and cloud storage

The introduction of cloud computing has resulted in the trend of Big Data and enterprise mobility. The total data generated worldwide is projected to reach 163 zettabytes by 2025,(2) as a result, there is an increased demand for data ecosystems, which is expected to drive the demand for digital storage volume, leading to an increased demand for storage devices for both corporate and individual customers, leading to the overall growth of the global market.(9)

The global market for cloud computing was valued at USD483.98 billion in 2022 and is projected to grow at a CAGR of 14.1% from 2023 to 2030. This growth is expected to be driven by various factors, including the ability of cloud computing to enhance business performance in large organizations, the increasing need for hybrid and Omni-cloud systems, and the adoption of pay-as-you-go models.(7)

Moreover, cloud services have gained popularity in developing countries as businesses seek to improve their digital activities. Governments' efforts to safeguard data integrity and security have also contributed to the industry's growth. Additionally, the COVID-19 pandemic has accelerated the adoption of hybrid work models and cloud computing, further fuelling the growth of the market.(7)

Notes:

(1) Information extracted from the website of Future Market Insights at https://www.futuremarketinsights.com/reports/computer-peripherals-market accessed on 28 March 2023. Future Market Insights has not provided its consent to the inclusion of the information extracted from its website for the purposes of section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While the Company and the Sponsor have taken reasonable actions to ensure that the information from Future Market Insight's website has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Target Group's Letter to Shareholders, neither the Company, the Target Group, the Sponsor nor any other party has conducted an independent review of the information contained in that website or verified the accuracy of the contents of the relevant information.

(2) Information extracted from the website of The Business Research Company at https://www.thebusinessresearchcompany.com/report/computer-peripheral-equipment-global-market-report accessed on 28 March 2023. The Business Research Company has not provided its consent to the inclusion of the information extracted from its website for the purposes of section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While the Company and the Sponsor have taken reasonable actions to ensure that the information from The Business Research Company's website has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Target Group's Letter to Shareholders, neither the Company, the Target Group, the Sponsor nor any other party has conducted an independent review of the information contained in that website or verified the accuracy of the contents of the relevant information.

(3) Information extracted from the website of Transparency Market Research, Inc. at https://www.transparencymarketresearch.com/it-peripherals-market.html accessed on 28 March 2023. Transparency Market Research, Inc. has not provided its consent to the inclusion of the information extracted from its website for the purposes of section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While the Company and the Sponsor have taken reasonable actions to ensure that the information from Transparency Market Research, Inc.'s website has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Target Group's Letter to Shareholders, neither the Company, the Target Group, the Sponsor nor any other party has conducted an independent review of the information contained in that website or verified the accuracy of the contents of the relevant information.

(4) Information extracted from the website of OpenGov Asia – CIO Network Pte Ltd. https://opengovasia.com/malaysia-sets-new-digital-learning-ambitions/ accessed on 31 March 2023. OpenGov Asia – CIO Network Pte Ltd. has not provided its consent to the inclusion of the information extracted from its website for the purposes of section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While the Company and the Sponsor have taken reasonable actions to ensure that the information from OpenGov Asia – CIO Network Pte Ltd.'s website has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Target Group's Letter to Shareholders, neither the Company, the Target Group, the Sponsor nor any other party has conducted an independent review of the information contained in that website or verified the accuracy of the contents of the relevant information.

(5) Information extracted from the website of Springer Nature Switzerland AG https://link.springer.com/article/10.1007/s10639-021-10547-7 accessed on 31 March 2023. Springer Nature Switzerland AG has not provided its consent to the inclusion of the information extracted from its website for the purposes of section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While the Company and the Sponsor have taken reasonable actions to ensure that the information from Springer Nature Switzerland AG's website has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Target Group's Letter to Shareholders, neither the Company, the Target Group, the Sponsor nor any other party has conducted an independent review of the information contained in that website or verified the accuracy of the contents of the relevant information.

(6) Information extracted from the website of the website of Fortune Business Insights https://www.fortunebusinessinsights.com/esports-market-106820 accessed on 28 March 2023. Fortune Business Insights has not provided its consent to the inclusion of the information extracted from its website for the purposes of section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While the Company and the Sponsor have taken reasonable actions to ensure that the information from Fortune Business Insights' website has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Target Group's Letter to Shareholders, neither the Company, the Target Group, the Sponsor nor any other party has conducted an independent review of the information contained in that website or verified the accuracy of the contents of the relevant information.

(7) Information extracted from the website of the website of Grand View Research https://www.grandviewresearch.com/industry-analysis/esports-market accessed on 28 March 2023. Grand View Research has not provided its consent to the inclusion of the information extracted from its website for the purposes of section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While the Company and the Sponsor have taken reasonable actions to ensure that the information from Grand View Research's website has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Target Group's Letter to Shareholders, neither the Company, the Target Group, the Sponsor nor any other party has conducted an independent review of the information contained in that website or verified the accuracy of the contents of the relevant information.

(8) Information extracted from the website of Mordor Intelligence https://www.mordorintelligence.com/industry-reports/gaming-accessories-market accessed on 28 March 2023. Mordor Intelligence has not provided its consent to the inclusion of the information extracted from its website for the purposes of section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While the Company and the Sponsor have taken reasonable actions to ensure that the information from Mordor Intelligence's website has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Target Group's Letter to Shareholders, neither the Company, the Target Group, the Sponsor nor any other party has conducted an independent review of the information contained in that website or verified the accuracy of the contents of the relevant information.

(9) Information extracted from the website of MarketResearch.biz at https://marketresearch.biz/report/computer-peripherals-market/ accessed on 28 March 2023. MarketResearch.biz has not provided its consent to the inclusion of the information extracted from its website for the purposes of section 249 of the SFA, and is therefore not liable for such information under Sections 253 and 254 of the SFA. While the Company and the Sponsor have taken reasonable actions to ensure that the information from MarketResearch.biz's website has been reproduced in its proper form and context, and that such information is extracted accurately and fairly in this Target Group's Letter to Shareholders, neither the Company, the Target Group, the Sponsor nor any other party has conducted an independent review of the information contained in that website or verified the accuracy of the contents of the relevant information.

25.2 Trend information

Barring any unforeseen circumstances, the Proposed New Board notes the following trends which may have an impact on the Target Company's business and financial prospects for the next twelve (12) months from the Latest Practicable Date:

(a) The Target Group's revenue is generally expected to increase given the increased demand for IT products and computer peripherals, especially within the Asia-Pacific region. Furthermore, the Proposed New Board is of the view that the Target Group possesses specific competitive advantages. For example, the Target Company is a distributor in Malaysia with the rights to distribute both Intel and AMD desktop CPUs. In addition to this, the Target Company also carries three (3) major motherboard brands. Therefore, the Target Company is able to offer its customers a "one-stop solution" to their IT products and computer peripheral needs. Overall, these factors are expected to lead to an increase in revenue.

(b) The Proposed New Board expects downward pressure on IT products computer peripheral prices in 2023 as supply for IT products and computer peripherals are anticipated to be able to meet demand. This is compared to 2022, where a majority of the Target Group's suppliers were adversely impacted by rising material costs due to various factors, including geopolitical conflict such as the Russia-Ukraine war.

(c) On Completion, the Target Thai Company will commence operations in the Thai IT Consumer Business in Thailand. This is expected to cause the Target Group's revenue to increase as a result. In addition, the Target Group is expected to incur costs in connection with the operation of the Thai IT Consumer Business in Thailand.

(d) Our general and administrative expenses are also expected to increase due to the one-off expenses incurred in connection with the Proposed Acquisition, and also in future financial years to come due to the ongoing compliance costs of being a public listed company.

25.3 Business Strategies and Future Plans

The Target Group's business strategies and future plans for the growth and expansion of its businesses are further described below:

(a) Reduce reliance on Serial System Group for the purchase of its IT products and computer peripherals

By virtue of it being a Malaysia-incorporated subsidiary of the Serial System Group, the Target Company has been named as an authorised distributor by Intel, Apacer, ASRock Inc., Gigabyte, Thermaltake and ViewSonic in Malaysia and has been listed by such Manufacturers as an authorised distributor on such Manufacturers' websites and sells such Non-AMD Products to IT retail stores and system integrators in Malaysia. Historically, the Target Company purchased its Non-AMD Products through SMPL and SIFE as an intermediary for and on its behalf from the Manufacturers, both indirect wholly-owned subsidiaries of Serial System, and did not have direct contractual arrangements with the Manufacturers during the time where it was a member of the Serial System Group.

As at the Latest Practicable Date, in connection with the Proposed Transactions and the intention to reduce reliance on the Serial System Group, the Target Company has engaged with its Manufacturers and in view of the Target Company's track record, has since been appointed as a non-exclusive distributor by MMD, Dynabook and MSI. In relation to the other Manufacturers, the Target Group continues to be in discussions with such Manufacturers and expects to be able to purchase all of its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion. In order to facilitate such transition, during this three (3)-month interim period, the Target Company intends to continue purchasing IT products and computer peripherals through SIFE and SMPL at cost and subject to the terms of the review procedures under the Proposed IPT Mandate as set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders. At the end of the three (3)-month interim period, SMPL will continue to operate its existing business of the distribution of electronic and electrical components and the distribution of AMD Products as a regional distributor and SIFE will continue to operate its existing business unrelated to the Target Group (including the distribution of printing related products).

(b) Increase the portfolio and breadth of the Target Group's product lines

As at the Latest Practicable Date, some key products which the Target Group distributes include desktop CPUs, SSDs, RAM modules, VGA cards, motherboards, LCD monitors, gaming mice, keyboard systems, PC cooling systems (including PC fan systems), mini PCs and kits.

The Target Group intends to leverage on its capabilities, technological know-how and proven track record to further expand the portfolio and breadth of its product lines both for its current and potential new suppliers. Potential new products from its current suppliers would include other IT peripherals and computer products from brands such as MSI. Such products include casings, SSDs and gaming routers. The Target Group also intends to increase its portfolio of laptop products and wireless products to better serve its customers.

In line with the increasing demand for gaming products and cloud storage, the Target Group also plans to expand its product lines to include a greater breadth of IT products and computer peripherals, including gaming products from headsets, mice, keyboards, controllers and gaming furniture as well as storage devices such as SD cards and USB flash drives. In particular, with more financial resources brought about by the Proposed Acquisition, the Target Group plans to acquire new customers by expanding its product offerings and range through working with existing and new suppliers. The Proposed New Board believes that this would enable the Target Group to meet the rising demand for IT products and computer peripherals.

(c) Expansion of geographical coverage within the ASEAN

The Proposed New Board believes that a strong global presence is essential for the continual success of the business. The Target Group therefore intends to leverage on its expertise and extensive experience in the IT products and computer peripherals industry to further strengthen its international market presence.

Presently, the Target Group is a local in-country reseller and distributor of IT products and computer peripherals in Malaysia and Thailand. While the Target Group foresees that the Malaysia and Thailand markets will continue to remain as key in the near term, the Target Group intends to continue to expand its presence overseas. In particular, given the expected high growth rate of demand for IT products and computer peripherals within the Asia-Pacific region, the Target Group intends to expand its presence organically or through strategic alliances and/or acquisitions in countries where it currently does not have a presence within ASEAN. A non-exhaustive list of potential targets include Indonesia, Vietnam and the Philippines.

Based on the Target Group's knowledge and prospects as set out in the section titled "*Prospects, Trends and Future Plans*" of this Target Group's Letter to Shareholders, the Target Group believes that the abovementioned countries can create good opportunities for the Target Group in the near future.

(d) Upgrading the Target Group's warehousing, distribution and marketing capabilities

The Target Group will explore ways to improve its warehouse efficiencies and capabilities. This may be achieved through greater automation of its warehousing process, upgrading existing equipment and machinery and/or purchasing and installing new equipment and machinery, increasing staff at its facilities to the extent of available space, using technology and software providers in order to better facilitate inbound and outbound stock movement to get accurate and up-to-date reports on sales demands and in-hand stock, to ensure that the warehouse efficiency is maximised and to ensure it possesses sufficient stock in order to meet customer demands.

In line with the Target Group's sales and marketing approach of fostering long-term and strong relationships with its existing customers, the Target Group will continue to focus on customer retention and increasing sales to existing customers. In particular, the Target Group intends to step up sales and marketing efforts by increasing the frequency, intensity and depth of its interactions with its existing customers and also reaching out to more potential customers. To this end, the Target Group intends to consider strategies such as tapping on social media, potentially tapping on creative agencies in order to strengthen its brand identity and better position it as a key player in the Malaysian and Thailand markets and to reach a wider customer base.

In addition, the Target Group will continue to build up its sales and marketing capabilities. This includes expanding the sales and marketing team in Thailand. Under the terms of the Implementation Agreement, 28 employees of the Existing Thai Company (including Mr Natthawat), who as at the Latest Practicable Date, are involved in the Existing Thai Company's operations in the Thai IT Consumer Business, will commence employment with the Target Thai Company with effect from Completion. Such employees include the Existing Thai Company's sale team comprising five (5) sales representatives, all of whom are based in Thailand. The Proposed New Board is of the view that given the size of the market in Thailand, increasing the size of the sales and marketing team in Thailand would enable the Target Thai Company to capture an even larger market share in Thailand.

(e) Exploring acquisitions, investments, strategic alliances and joint ventures

Moving forward, the Target Group will seek growth opportunities through investments, mergers and acquisitions, joint ventures or strategic alliances with businesses in complementary fields in Malaysia, Thailand or in other overseas markets, depending on market conditions and feasibility.

Through such investments, mergers and acquisitions, joint ventures and/or strategic collaborations, the Target Group will look to strengthen its market position, enhance the value-add in its products and services and/or expand into new areas that are complementary to its existing business. One example would be companies that have similar businesses in other ASEAN countries, to allow the Enlarged Group to expand its offerings in other geographical locations and/or achieving value chain integration in existing markets or to penetrate into emerging markets.

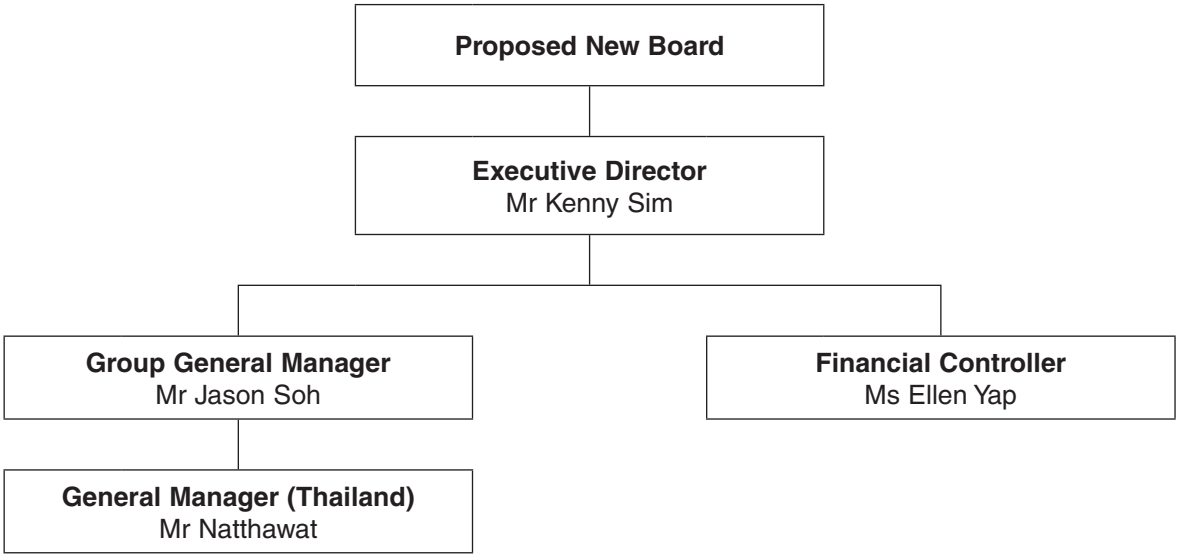
As of the Latest Practicable Date, the Target Group has not made any commitments or entered into any agreements regarding any acquisition, investment, strategic alliance, or joint venture. The Target Group will carefully consider any such opportunities and undertake a comprehensive review and evaluation to determine whether such transactions will benefit its business before entering into any such transaction. Key factors that we will take into consideration when assessing such opportunities include, *inter alia*, return on investments, market trends and commercial viability.

The Target Group intends to fund its strategies and future plans through its internal cash resources, external borrowings and/or other forms of funding including equity. There is no specific timeline for the Target Group's strategies and future plans to commence or be completed as such plans are opportunistic in nature and will only be executed by the Target Group at the appropriate time.

26. PROPOSED NEW BOARD AND PROPOSED NEW EXECUTIVE OFFICERS

26.1 Management Reporting Structure

The Company proposes to constitute the Proposed New Board and appoint a new senior management team following Completion. Accordingly, following Completion, the proposed management reporting structure of the Company will be as follows:



26.2 Proposed New Board

As at the Latest Practicable Date, the particulars of the Proposed New Board following Completion are as follows:

Name	Age	Address	Proposed position in the Enlarged Group
Mr Sean Goh	43	c/o 8 Ubi View, Serial System Building, Singapore 408854	Chairman and Non-Executive Director
Ms Victoria Goh	30	c/o 8 Ubi View, Serial System Building, Singapore 408854	Non-Executive Director
Mr Kenny Sim	54	c/o 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Executive Director and CEO
Mr Tan Thiam Hee	54	c/o 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Lead Independent Director
Mr Kenny Yap Kim Lee	57	c/o 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Independent Director
Mr Solomon Tan	38	c/o 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Independent Director
Mr Jason Su	36	c/o 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Independent Director

Information on the business and working experience of the Proposed New Board are set out below:

Mr Sean Goh

The proposed Chairman and Non-Executive Director, Mr Sean Goh, is presently Serial System's Executive Director and Deputy Group Chief Executive Officer. Mr Sean Goh joined Serial System in June 2004. He was appointed Group Chief Operating Officer in June 2019, and joined its board of directors as Executive Director in October 2021. Mr Sean Goh was appointed Deputy Group Chief Executive Officer of Serial System in July 2022.

As the proposed Chairman and Non-Executive Director, Mr Sean Goh will not be involved in the day-to-day operations of the Enlarged Group but will provide leadership and guidance to the Proposed New Board and work together with the Executive Director to set the direction and objectives of the Enlarged Group (which include appropriate focus on value creation, innovation and sustainability).

As Deputy Group Chief Executive Officer, Mr Sean Goh works with the board members of Serial System to plan and implement Serial System's group corporate strategies.

Mr Sean Goh holds a Bachelor of Engineering degree with Honours from Nanyang Technological University.

Ms Victoria Goh

The proposed Non-Executive Director, Ms Victoria Goh, is presently Serial System's Executive Director and Vice President, Business Development & Marketing. Ms Victoria Goh joined Serial System in 2017 and was appointed as Vice President, Business Development & Marketing in 2022.

As Vice President, Business Development & Marketing, Ms Victoria Goh manages the business and operations of the consumer products distribution business as well as supply chain and inventory management of Serial System and its subsidiaries. She also works with management and the board members of Serial System on corporate development and strategic planning matters.

As a proposed Non-Executive Director, Ms Victoria Goh will not be involved in the day-to-day operations of the Enlarged Group but will draw on her experience, knowledge and expertise to contribute to the Proposed New Board and the Enlarged Group.

Ms Victoria Goh holds a Bachelor of Business degree from Nanyang Technological University.

Mr Kenny Sim

The Proposed Executive Director and CEO, Mr Kenny Sim, first joined the Target Company in September 2022 as an external consultant and, with effect from 1 April 2023, commenced performing interim CEO services as an independent consultant to the Target Company. Prior to this, Mr Kenny Sim was the Chief Executive Officer and founder of CESK Capital Pte Ltd and FSK Advisory Pte Ltd, companies which specialise in corporate advisory services, and HR consulting, respectively. Mr Sim also has 16 years of experience in the electronics distribution business, having served as CEO of WE Holdings Ltd (now known as Accrelist Ltd.), which, while Mr Kenny Sim was CEO, was a distributor of electronic products in Singapore and Southeast Asia and a system integration and business consultancy for turnkey electronic solutions.

Mr Kenny Sim is also the Non-Executive Director of Global Invacom Group Limited, a satellite communication company dual-listed on the Mainboard of SGX-ST and London AIM, ZACD Group Ltd, an integrated asset manager listed on the Hong Kong Stock Exchange and USP Group Limited, a company listed on the Mainboard of the SGX-ST with its core businesses in the distribution of marine engine products, recycling of waste oils, scientific instrumentation/calibration, and property investment and management. Mr Kenny Sim also currently serves on the boards of private companies in the real estate and investment sectors.

He earned his Bachelor of Commerce from Murdoch University, Western Australia, and a Diploma in Electronics Engineering from Ngee Ann Polytechnic, Singapore. He was awarded the Public Service Medal (*Pingat Bakti Masyarakat*) by the President of Singapore in 2020 for his contribution to public services and the Public Service Star (COVID-19) in recognition of his contribution to Singapore's fight against the COVID-19 pandemic.

Mr Tan Thiam Hee

The proposed Lead Independent Director, Mr Tan Thiam Hee is a professional accountant by training and has garnered more than twenty (20) years of experience as Chief Financial Officer or CEO in various industries, including marine, construction, property development and investments, pharmaceutical, leisure, manufacturing, trading and investments holding.

Mr Tan Thiam Hee is active in the corporate scene, having helped companies list on the stock exchanges in Singapore and Australia. Mr Tan Thiam Hee has also driven several merger and acquisition exercises as well as corporate restructuring or divestment exercises. Mr Tan Thiam Hee is very familiar with the various financial institutions and has helped many companies secure their financing needs.

Mr Tan Thiam Hee is currently the Founder and Executive Director of Viva Corporate Advisory Pte Ltd. He was the Group Chief Executive Officer and Executive Director of Emerging Towns & Cities Singapore Ltd. and was previously a director of ACH Investments Pte Ltd, a specialist corporate advisory firm in Singapore.

Mr Tan Thiam Hee has a Master of Business Administration in International Business and a Bachelor of Accountancy (Merit) from the Nanyang Technological University of Singapore. In addition, Mr Tan Thiam Hee has recently completed two Corporate and Environmental Sustainability courses conducted by the Nanyang Business School from Nanyang Technological University of Singapore. Mr Tan Thiam Hee is also a Fellow of the Institute of Singapore Chartered Accountants and CPA Australia, a member of the Singapore Institute of Directors and a graduate member of the Australian Institute of Company Directors.

Mr Kenny Yap Kim Lee

The Proposed Independent Director, Mr Kenny Yap Kim Lee, is presently the Executive Chairman and Managing Director of Qian Hu Corporation Limited, the only integrated ornamental fish service provider listed on the Mainboard of the SGX-ST.

Through his leadership, vision and passion for the industry, Mr Kenny Yap Kim Lee played a key role in establishing Singapore as the ornamental fish capital of the world, with Qian Hu accounting for more than 4% of the global fish market. He has a string of awards to his name – Young Chinese Entrepreneur of the Year by Yazhou Zhoukan in 2002, one of the 50 Stars of Asia by Business Week in 2001; the PSB/International Institute of Management's International Management Action Award in 2000, and the Singapore National Youth Award in 1998.

Mr Kenny Yap Kim Lee graduated from Ohio State University (USA) with a degree in Business Administration (Summa Cum Laude).

Mr Solomon Tan

The Proposed Independent Director, Mr Solomon Tan, is presently the Managing Partner and co-founder of management consultancy Argile Partners Pte. Ltd. Prior to founding Argile Partners Pte. Ltd., Mr Solomon Tan was the General Manager and Chief Financial Officer of Chembulk Tankers, an international chemical tanker chartering and logistics business which was owned by private equity, and before that, he was with Borelli Walsh Pte. Ltd. (now a part of Kroll Inc.), an advisory firm specialising in corporate finance, financial and operational turnarounds. He started his career in audit and assurance with Deloitte & Touche LLP, where he led and managed financial audits for several public-listed and government-linked organisations.

Mr Solomon Tan has a Bachelor of Accountancy from the Nanyang Business School, Nanyang Technology University and is a Chartered Accountant of Singapore.

Mr Jason Su

The Proposed Independent Director, Mr Jason Su, is presently the Chief Investment Officer of Farquhar VC Pte Ltd, a fund management company. Prior to that, Mr Jason Su had stints as an Investment Manager at NUS Enterprise, the entrepreneurial arm of the National University of Singapore, and was the Head of Investment at Ecowise Holdings Ltd, a company listed on the Catalist Board of the SGX-ST. Mr Jason Su is also a trained lawyer and practiced in the mergers and acquisitions and funds practice of Singapore law firm Colin Ng & Partners LLP.

Mr Jason Su has a Bachelor of Business Administration (Double major in Finance and Marketing) from the National University of Singapore, a Master of Science (Real Estate) from the National University of Singapore and earned his Juris Doctor from the Singapore Management University.

(a) Experience as director of a listed company

All of the Directors on the Proposed New Board possess the appropriate experience and expertise to act as Directors on the Proposed New Board, as evidenced by their business and working experience set out above.

All of the Directors have relevant experience as directors of public listed companies in Singapore and are familiar with the roles and responsibilities of a director of a public listed company in Singapore save for (i) Mr Solomon Tan, who has experience as a director of a public listed company in Hong Kong; and (ii) Mr Jason Su.

Mr Solomon Tan and Mr Jason Su do not have prior experience as a director of a public listed company in Singapore but have attended the relevant courses organised by the Singapore Institute of Directors as prescribed by the SGX-ST.

(b) Present and past directorships of the Proposed New Board

The list of present and past directorships of the Proposed New Board over the last five (5) years up to the Latest Practicable Date, excluding that held in the Target Company and the Existing Thai Company is set out below:

Name	Present Directorships	Past Directorships
Mr Sean Goh	Achieva Technology (Thailand) Company Limited Achieva Technology Sdn Bhd. Bast Global Sdn. Bhd. Bast Investment Pte. Ltd. Bull Will Co., Ltd Contract Sterilization Services Pte Ltd CSS Medisys Pte. Ltd. G2 Unity Investment Pte. Ltd. Hydra & Thermal Pte. Ltd. Inkcarts Pte. Ltd. Nokivi Pte. Ltd. Nokivi Holdings Pte. Ltd. Otsaw Digital Pte. Ltd. Otsaw Technology Solutions Pte. Ltd. Print-IQ Singapore Pte. Ltd. PT. Achieva Technology Indonesia PT. Serial Microelectronics Indonesia Satcom Icenter Limited SB Global Ventures Pte. Ltd. SCE Enterprise Pte. Ltd. Serial Electronics Investment Limited Serial Factoring (Thailand) Co., Ltd Serial Investment (Korea) Limited Serial Investment Pte Ltd Serial Investment Taiwan Inc. Serial I-Tech (Far East) Pte. Ltd. Serial I-Tech (ME) Pte. Ltd. Serial Jtech System Pte. Ltd. Serial Microelectroncs (Shenzhen) Co., Ltd Serial Microelectronics (HK) Limited Serial Microelectronics Inc. Serial Microelectronics Korea Limited Serial Microelectronics Pte Ltd Serial Microelectronics Sdn. Bhd. Serial Multivision Pte. Ltd. Serial System Ltd Serial System International Pte. Ltd. Serial Vendtech Pte. Ltd.	Achieva Technology Australia Pty Ltd Agricola Pte. Ltd. Bull Will Trading (S) Pte. Ltd. Edith-United International Pte Ltd (in liquidation) Eunice Food Catering Pte. Ltd. (in liquidation) (1) Imperial Kitchen Catering Pte. Ltd. (in liquidation) Nippon Denka Serial Pte. Ltd. Serial AMSC Microelectronics Co., Ltd Serial Design Limited Serial I-Tech Strategic Holdings Franchising Pte. Ltd. Serial Netcom Co., Ltd. Tong Chiang Group Pte. Ltd. (in liquidation) (1)

Name	Present Directorships	Past Directorships
	SerialTec (Japan) Co., Ltd SerialTec Pte. Ltd. SG Networks Pte. Ltd. SSTW Technology Pte. Ltd. Stars Tea & Coffee Asia Pte. Ltd. STECH Global Trading Pte. Ltd. Straitsmart Sdn. Bhd. Swift-Value Business Pte. Ltd. Teabrary International Pte. Ltd. TeamPal Enterprise Corp. UniSerial Electronics Limited URG Pte. Ltd.	
Ms Victoria Goh	Asian Prosperity Singapore Pte. Ltd. Bast Global Sdn. Bhd. Bast Investment Pte. Ltd. Bull Will Co., Ltd C & G Investment Pte Ltd Contract Sterilization Services Pte Ltd CSS Medisys Pte. Ltd. D&C Goh Holdings Pte. Ltd. G2 Unity Investment Pte. Ltd. Global Voice Pte Ltd Newstone Technology Limited Nuline Marketing Singapore Pte Ltd SCE Enterprise Pte. Ltd. Serial Investment (Korea) Limited Serial Investment Pte Ltd Serial Investment Taiwan Inc. Serial Microelectroncs (Shenzhen) Co., Ltd Serial Microelectronics (HK) Limited Serial Microelectronics Inc. Serial Microelectronics Korea Limited Serial Microelectronics Pte Ltd Serial System Ltd Serial System International Pte. Ltd. Stars Tea & Coffee Asia Pte. Ltd. Teabrary International Pte. Ltd. Teabrary Investment Pte. Ltd. Yuan Premium Foods Pte. Ltd. Swift-Value Business Pte. Ltd. Inkcarts Pte. Ltd. SerialTec Pte. Ltd. Serial I-Tech (Far East) Pte. Ltd. Print-IQ Singapore Pte. Ltd.	Bull Will Trading (S) Pte. Ltd.

Name	Present Directorships	Past Directorships
Mr Kenny Sim	CESK Capital Pte. Ltd. FSK Advisory Pte. Ltd. Global Invacom Group Limited I2 Capital Pte. Ltd. Legend Property Private Limited Maximus Fortune Pte. Ltd. Oden Technology Pte. Ltd. ZACD Group Ltd. USP Group Limited Target Company Target Thai Company	DOXA Holdings International Pte. Ltd. K2C Capital Pte. Ltd. (Struck off) Trans-Cab Holdings Ltd Boldtek Holdings Limited
Mr Tan Thiam Hee	Borden Eagle Singapore Pte. Ltd. SG Plus Investment and Development Pte. Ltd. Viva Corporate Advisory Pte. Ltd.	ACH Investment Pte Ltd AT&S Pte. Ltd. (formerly known as KS Distribution Pte. Ltd.) BizGo (SG) Pte Ltd BizGo Holdings Pte Ltd BizGo India Private Limited DAS Pte. Ltd. Emerging Towns & Cities Singapore Ltd. Futura Asset Holdings Pte. Ltd. Golden Land Real Estate Development Co., Ltd Hin Leong Marine International (Pte.) Ltd. (in liquidation) (1) Koon Construction and Transport Co., Pte Ltd (in liquidation) (1) Koon Holdings Limited (in liquidation) (1) KS Resources Pte. Ltd. Ocean Bunkering Services (Pte) Ltd (in liquidation) (1) Trechance Holdings Ltd Uni Global Power Pte. Ltd. Xihe Investment Pte Ltd (in liquidation) (1)
Mr Kenny Yap Kim Lee	Qian Hu Corporation Limited	None
Mr Solomon Tan	Argile Partners Pte. Ltd. Caridea Sumbawa AV10 Pte. Ltd. Caridea Sumbawa AV11 Pte. Ltd. Fidelis Aquaculture Holdings Pte. Ltd. Fidelis Capital Management Pte. Ltd. Fidelis Gourmet Express 1 Pte. Ltd. Fidelis Gourmet Express 2 Pte. Ltd. Fidelis Gourmet Express 3 Pte. Ltd. Fidelis Gourmet Express 4 Pte. Ltd.	Agritrade Resources Limited (in liquidation) (1) Chembulk Maritime Singapore Pte. Ltd. (Struck off) CIDB International Pte. Ltd. (Struck off) ELA Private Limited Fidelis Capital Pte. Ltd. Prive Capital Group Pte. Ltd. R&O Trust Pte. Ltd. (formerly known as Fidelis Special Situations Pte. Ltd. formerly known as R&O Human Capital Pte. Ltd.)

Name	Present Directorships	Past Directorships
	Fidelis Gourmet Holdings Pte. Ltd. Fidelis Gourmet Kitchen Pte. Ltd. Fidelis Rayong Pte. Ltd. Fidelis Sino Trading Pte. Ltd. JQCG Marketing Pte. Ltd. R&O HR Services Pte Ltd Red & Orange Company Pte. Ltd. Royal Union International Pte. Ltd. Royal Union Pte. Ltd. Sino FC Pte. Ltd. Sunshine Consultancy Services Private Limited Tipo KS Private Limited	TIPO 16H Private Limited TIPO KS Private Limited Viddsee Pte. Ltd.
Mr Jason Su	Farquhar VC Pte. Ltd. FVC Fund 1 Pte. Ltd. FVC Innovation Partners Pte. Ltd. FVC VCC	FVC-6E Pte. Ltd. FVC-GENY Pte. Ltd. FVC-HF Pte. Ltd. FVC-KM Pte. Ltd. FVC-LOMO Pte. Ltd. (Struck off) FVC-MB Pte. Ltd. FVC-N Pte. Ltd. FVC-NOD Pte. Ltd. FVC-Nokivifoods Pte. Ltd. (Struck off) FVC-Spark Pte. Ltd. FVC-SV Pte. Ltd. FVC-Taiga Pte. Ltd. Serial-FVC Pte. Ltd. Ucars Pte. Ltd.

Note:

(1) Please refer to section titled "*Proposed New Board and Proposed New Executives – Material Background Information*" of this Target Group's Letter to Shareholders for more information.

(c) Relationships of the Proposed New Board

The proposed Non-Executive Director, Ms Victoria Goh is the niece of the proposed Chairman and Non-Executive Director, Mr Sean Goh and is the daughter of Dr Derek Goh Bak Heng who is the Controlling Shareholder of Serial System, who in turn is the ultimate Controlling Shareholder of the Target Company.

The proposed Chairman and Non-Executive Director, Mr Sean Goh, is the cousin of Dr Derek Goh Bak Heng. Save for the foregoing, none of the Proposed New Board has any family relationship with another Director on the Proposed New Board, Proposed New Executive Officer or Substantial Shareholders of the Enlarged Group.

(d) Appointment of the Proposed New Board

The proposed Chairman and Non-Executive Director, Mr Sean Goh, and the proposed Non-Executive Director, Ms Victoria Goh, are presently Serial System's Executive Director and Deputy Group Chief Executive Officer and Executive Director, Vice President, Business Development & Marketing, respectively, and Serial System will be appointing them to the Proposed New Board in connection with the Proposed Transactions. Mr Jason Soh will resign from his role in the Serial System Group prior to Completion.

Save for the foregoing, there is no arrangement or understanding with any of the Substantial Shareholders of the Enlarged Group, customers or suppliers or other persons pursuant to which any of them or any person nominated by any of them will be or has been appointed to the Proposed New Board.

(e) Confirmation relating to the Proposed Independent Directors

None of the Proposed Independent Directors or their immediate family members sits on the board of its subsidiaries that are based in jurisdictions other than Singapore.

26.3 Proposed New Executive Officers

As at the Latest Practicable Date, the particulars of the Proposed New Executive Officers following Completion are as follows:

Name	Age	Address	Proposed position in the Enlarged Group
Mr Jason Soh	43	c/o 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Group General Manager
Ms Ellen Yap	47	c/o 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	Financial Controller
Mr Natthawat	55	c/o 10th Floor, Menara Hap Seng, No.1 & 3 Jalan P. Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia	General Manager (Thailand)

Information on the business and working experience of the Company's Proposed New Executive Officers are set out below:

Mr Jason Soh

Mr Jason Soh is the proposed Group General Manager of the Enlarged Group. As the proposed Group General Manager, Mr Jason Soh will be in charge of the Group's overall operations, including the sales and marketing function, and logistics and quality assurance. Mr Jason Soh was appointed in August 2018 and remains currently the General Manager of Serial System Group's Consumer & Information Technology Peripheral Division and prior to Completion, will resign from his role in the Serial System Group.

Mr Jason Soh joined the Serial System Group in January 2005. In his eighteen (18) years with the Serial System Group, he has held various positions including Product Marketing Manager for Texas Instruments, and Supplier Business Manager for TE Connectivity, before assuming the role of general manager for Swift-Value Business Pte Ltd, a wholly-owned subsidiary of the Serial System Group that is in the business of print supplies. Mr Jason Soh earned a Bachelor of Engineering, Electrical & Electronic Engineering from the Nanyang Technology University in 2004.

Ms Ellen Yap

Ms Ellen Yap is the proposed Financial Controller of the Enlarged Group. As Financial Controller of the Enlarged Group, Ms Ellen Yap will be responsible for the overall financial health and of the Enlarged Group, including overseeing the Enlarged Group's treasury function, credit control function and its financial reporting activities. Ms Ellen Yap has been serving as the finance manager of the Target Company since August 2018. Prior to joining the Target Company in 2018, Ms Ellen Yap was a Finance Manager at Onet Limited, an e-commerce business focusing on health, wellness and lifestyle products. Prior to that she was the Assistance Finance Manager at Luxasia (M) Sdn. Bhd., a cosmetics and perfumes distributor. Ms Ellen Yap also has had experience with companies in the logistics and food and beverage industries. Ms Ellen Yap is a trained accountant and last practiced with Bartfields (UK) Limited where she was a Senior Associate.

Ms Ellen Yap earned her ACCA (Association of Chartered Certified Accountants) qualification in 2003 and graduated with an Advanced Diploma in Financial Accounting from TAR College in 2000.

Mr Natthawat

Mr Natthawat is currently the Managing Director of the Existing Thai Company and will, on Completion, be the General Manager (Thailand) of the Target Thai Company. As General Manager (Thailand), Mr Natthawat will be responsible for the overall operations of the Target Thai Company and will report directly to the proposed Group General Manager, Mr Jason Soh.

Mr Natthawat is an experienced entrepreneur and, shortly after graduating from university, established S.T.S. Telecom Company Limited, which operated a factory assembling batteries for mobile phones in Thailand and sold mobile phones and mobile phone accessories to retailers in Thailand. In 2000, Mr Natthawat then set up S Trek (Thailand) Company Limited to distribute thumb drives and other IT products and peripherals in Thailand. His experience in the industry led to the appointment of S Trek (Thailand) Company Limited as a distributor of AMD Products. He partnered with Serial System Group in 2022 to operate the Existing Thai Company.

Mr Natthawat graduated with a bachelor's degree in marketing from Assumption University, Thailand and obtained a Master's degree in Business Administration (International Business) from Coventry University, United Kingdom.

(a) Present and past directorships of the Proposed New Executive Officers

The list of present and past directorships of each Proposed New Executive Officer over the last five (5) years up to the Latest Practicable Date is set out below.

Name	Present Directorships	Past Directorships
Mr Jason Soh	Target Company Target Thai Company	Serial I-Tech (Far East) Pte Ltd Swift-Value Business Pte. Ltd. Inkcarts Pte Ltd SerialTec Pte Ltd Print IQ Singapore Pte Ltd SG Network Pte Ltd
Ms Ellen Yap	Target Company	None
Mr Natthawat	Existing Thai Company Target Thai Company	S Trek (Thailand) Company Limited(1) S.T.S. Telecom Company Limited(1)

Note:

(1) These companies are dormant companies as at the Latest Practicable Date.

(b) Relationships of the Proposed New Executive Officers

As at the Latest Practicable Date, none of the Proposed New Executive Officers has any family relationship with members of the Proposed New Board, Proposed New Executive Officer or Substantial Shareholders of the Enlarged Group.

(c) Appointment of the Proposed New Executive Officers

The proposed Group General Manager, Mr Jason Soh, was previously a Group General Manager with Serial System, and Serial System has nominated Mr Jason Soh to be appointed as the Target Group's Group General Manager in connection with the Proposed Acquisition.

Save for the foregoing, there is no arrangement or understanding with any of the Substantial Shareholders of the Enlarged Group, customers or suppliers or other persons pursuant to which any of them or any person nominated by any of them will be appointed as a Proposed New Executive Officer.

26.4 Remuneration of the Proposed New Board and Proposed New Executive Officers

The compensation (which includes benefits-in-kind, contributions to CPF and directors' fees and bonuses) paid during FY2020 to FY2022 to the Proposed New Board and the Proposed New Executive Officers for services rendered to the Enlarged Group in any capacity on an aggregate basis and in remuneration bands and the estimated compensation (including benefits-in-kind, contributions to CPF and directors' fees and bonuses) expected to be paid for the current financial year is as follows:

	FY2020	FY2021	FY2022
Proposed New Board			
Mr Sean Goh	–	–	–
Ms Victoria Goh	–	–	–
Mr Kenny Sim	–	–	Band A[(3)]
Mr Tan Thiam Hee	–	–	–
Mr Kenny Yap Kim Lee	–	–	–
Mr Solomon Tan	–	–	–
Mr Jason Su	–	–	–
Proposed New Executive Officers			
Mr Jason Soh	Band A	Band A	Band B
Ms Ellen Yap	Band A	Band A	Band A
Mr Natthawat	–	–	Band A

Notes:

(1) "Band A" refers to remuneration of up to S$250,000 per annum.

(2) "Band B" refers to remuneration of between S$250,000 and S$500,000 per annum.

(3) In FY2022, Mr Kenny Sim provided consulting services to the Target Company through FSK Advisory Pte. Ltd., which is a company incorporated in Singapore wholly-owned by Mr Kenny Sim. On 1 April 2023, Mr Kenny Sim commenced performing interim CEO services as an independent consultant. Following Completion, Mr Kenny Sim's employment will be governed by the terms of his Service Agreement. Such amounts include the service fees paid to FSK Advisory Pte. Ltd. for Mr Kenny Sim's provision of consulting services in FY2022.

26.5 Service Agreement

The Company had, on 27 December 2023 entered into a service agreement (the "**Service Agreement**") with the Proposed Executive Director and CEO, Mr Kenny Sim (the "**Appointee**"), who will be employed for an initial period of three (3) years with effect from Completion.

The Service Agreement may be terminated by either the respective Appointee or the Company giving not less than three (3) months' notice in writing to the other, provided that during the initial period of three (3) years, the Appointee shall not be entitled to terminate the Service Agreement without the prior consent of the Proposed New Board.

The Company may also terminate the Service Agreement at any time upon the occurrence of certain events such as if the Appointee commits any serious or repeated breach of any of the provisions of the Service Agreement, is guilty of fraud, dishonesty, serious misconduct or serious negligence, or becomes prohibited by law or a regulatory body from taking up the post of a director of any company.

Upon the expiry or termination of the Service Agreement, the Appointee shall, upon the request of the Company, resign from all offices held in the Company and its subsidiaries, and shall deliver to the Company, in proper order and condition, all books, documents, papers, materials and any other property or assets relating to the Enlarged Group's business or affairs which may then be in his possession or under his control.

The remuneration of the Appointee is subject to review by the proposed New Remuneration Committee falling one (1) week after our Board's approval of the Company's audited accounts for the immediate preceding financial year, the relevant Appointee abstaining from voting on any such resolution. There is no obligation to pay severance payments to the Appointee upon the termination of the Service Agreement.

Pursuant to the terms of the Service Agreement, the Appointee is entitled to:

(a) an annual salary of S$240,000, which shall comprise a monthly salary of S$20,000 (less any legally required withholdings, taxes or contributions, but inclusive of any mandatory co-savings or pension contributions, if applicable); and

(b) subject to the approval of the New Remuneration Committee, an annual wage supplement equivalent to one (1) month's salary which is payable within sixty (60) days from the end of each financial year.

Under the Service Agreement, the Appointee is subject to a non-compete and non-solicitation clause as follows:

"The Appointee agrees with and undertakes to the Company that whether or not his employment with the Company has been terminated by the Company or otherwise, he shall not at any time during the period of his employment with the Company and for a period of 12 months thereafter, and shall procure that his and/or her associates do not, for as long as he and/or his associates (whether present or future) are directors, controlling shareholders and/or executive officers of the Company:

(a) in any capacity, be engaged in or interested in or carry on any business which will compete with the Business;

(b) have any interest in any person or entity who carries on, and/or provide any financial assistance to any person or entity to carry on any business or other activity which competes with the Business, save that the Appointee is permitted, and together with their respective associates are permitted, to have an interest in the Excluded Companies (as defined below);

(c) be involved in any decision making in any entity that will put the Appointee in a conflict of interest position with respect to his duties and responsibilities (where applicable) in the Enlarged Group;

(d) whether on his own account or for any other person, solicit or entice away, or attempt to solicit or entice away from the Enlarged Group, any person who is an officer, manager or employee of the Enlarged Group, whether or not such person would commit a breach of his contract of employment with the Enlarged Group by reason of leaving such employment;

(e) interfere or seek to interfere with or make arrangements which have the effect of harming contractual or other trade relations between the Enlarged Group and any of its suppliers, customers, contractors, sub-contractors, agents or business partners;

(f) solicit, market to or entice away any customers or supplier from the Enlarged Group to cease doing or reduce the amount of business with the Enlarged Group;

(g) be a director and/or holder of an executive management position and/or commissioner (where applicable) of any entity in any business which will compete with the Business; and

(h) use any intellectual property rights of the Enlarged Group in connection with any business,

with the intent that each of these restrictions shall constitute an entirely separate and independent restriction on the Appointee".

For the purpose of the aforementioned non-competition and non-solicitation clause in the Service Agreement, the following definitions apply:

"**Business**" means the business of the Enlarged Group; and

"**Excluded Companies**" means any corporation listed on a recognized stock exchange in which the Appointee and/or his associates collectively does not:

(a) hold 5.0% or more of the total votes attached to all voting shares or total issued securities in that class for that time;

(b) have board representation on the board of directors of that corporation;

(c) have management control in that corporation; and/or

(d) have any involvement in the day-to-day operations and/or management of that corporation.

26.6 Material Background Information

Save as disclosed below, none of the Directors on the Proposed New Board, Proposed New Executive Officers or Controlling Shareholders of the Enlarged Group is or was involved in any of the following events:

(a) during the last ten (10) years, an application or a petition under any bankruptcy laws of any jurisdiction filed against him or her or against a partnership of which he or she was a partner at the time when he or she was a partner or at any time within two (2) years after the date he or she ceased to be a partner;

(b) during the last ten (10) years, an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he or she was a director or an equivalent person or a key executive, at the time when he or she was a director or an equivalent person or a key executive of that entity or at any time within two (2) years after the date he or she ceased to be a director or an equivalent person or a key executive of that entity, for the winding-up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;

(c) any unsatisfied judgments against him or her;

(d) a conviction of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such purpose;

(e) a conviction of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he or she is aware) for such breach;

(f) during the last ten (10) years, judgment entered against him or her in any civil proceeding in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his or her part, or has been the subject of any civil proceedings (including any pending civil proceedings of which he or she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his or her part;

(g) a conviction in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;

(h) disqualification from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;

(i) has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him or her from engaging in any type of business practice or activity;

(j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of affairs of:

(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;

(iii) any business trust which has been investigated for breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; or

(k) has ever been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Authority or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

Disclosures relating to the proposed Chairman and Non-Executive Director, Mr Sean Goh

As at the Latest Practicable Date, Tong Chiang Group Pte. Ltd. ("**Tong Chiang**") and Eunice Food Catering Pte. Ltd. ("**Eunice Food**") have been dissolved pursuant to a compulsory winding up. Tong Chiang and Eunice Food were companies incorporated in Singapore and were in the business of manufacturing food products and food catering. On 22 August 2015, pursuant to a conditional sale and purchase agreement with Ms. Lisa Zou Xiangyun, Serial System International Pte. Ltd. (a wholly owned subsidiary of Serial System), acquired 21% of the issued and paid-up capital in each of Tong Chiang and Eunice Food. In connection with such acquisition, Mr Sean Goh was appointed as a non-executive director of Tong Chiang and Eunice Food, as Serial System's International Pte. Ltd.'s nominee director, and remained as director from 28 August 2015 to 14 September 2018.

In February 2017, a civil suit was initiated by the Securities and Futures Investors Protection Center of Taiwan ("**SFIPC**") against amongst others, Bull Will Co., Ltd, (a 14.92% associated company of Serial System) ("**Bull Will**"), its directors, independent directors, supervisors, accounting supervisors, legal shareholder, and external auditors (the details of which have been announced on SGXNet by Serial System on 23 February 2017). In June 2021, the civil suit was dismissed by the Taiwanese Court on the basis that it was without merit. SFIPC subsequently filed an appeal and therefore the civil suit is currently still in progress. Mr Sean Goh is a Non-Executive Legal Representative Director of Bull Will Co., Ltd.

As Mr Sean Goh was not involved in the management of Tong Chiang, Eunice Food and Bull Will, the Proposed New Board and the New Nominating Committee are of the view that his appointment as the Proposed Chairman and Non-Executive Director is in compliance with Rule 406(3)(b) of the Catalist Rules.

Disclosures relating to the Proposed Lead Independent Director, Mr Tan Thiam Hee

Mr Tan Thiam Hee was appointed to the board of directors of Emerging Town & Cities Singapore Ltd ("**ETC**"), a company listed on the Catalist Board of the SGX-ST, as an independent director on 24 June 2015. Mr Tan Thiam Hee eventually took the role of CEO on 15 December 2015 at the request of the ETC's Nominating & Corporate Governance Committee. Mr Tan Thiam Hee oversaw the appointment of Baker Tilly Consultancy as a "Special Auditor" in April 2015 to review and/or ascertain the accounts and transactions of ETC and its subsidiaries ("**ETC Group**") for FY2013 and FY2014 and to ascertain whether there were any irregularities in the accounts and transactions of the ETC Group. The Special Auditor noted weaknesses and/or lapses in corporate governance, internal controls, and possible non-compliance with Catalist Rules. We understand that these matters occurred in financial years prior to the appointment of Mr Tan Thiam Hee to the board of ETC. In 2015, ETC's independent auditor, Foo Kon Tan LLP, issued its Independent Auditor's Report for the financial statements of ETC and its subsidiaries for the financial year ended 31 December 2014 which contained a qualified opinion. Qualifications include a failure to perform complete and correct declarations of related party transactions, inappropriate payments, and failure to fully comply with all accounting standards, all of which related to matters occurring prior to Mr Tan Thiam Hee's appointment as a director of ETC.

Mr Tan Thiam Hee was appointed as director of Koon Holdings Limited from 29 November 2019 to 28 February 2022. Koon Holdings Limited was a company that was listed on the Mainboard of the SGX-ST until its de-listing on 22 September 2021. Koon Holdings Limited was placed under provisional liquidation on 30 April 2022 and liquidators were appointed on 31 May 2022. Mr Tan Thiam Hee was a director of Koon Construction and Transport Co., Pte Ltd, a wholly-owned subsidiary of Koon Holdings Limited from 2 December 2019 to 28 February 2022. Koon Construction and Transport Co., Pte Ltd was placed under provisional liquidation on 20 April 2022 and liquidators were appointed on 13 May 2022.

Mr Tan Thiam Hee was appointed as a director of Ocean Bunkering Services (Pte) Limited, Xihe Investment Pte Ltd and Hin Leong Marine International (Pte) Ltd (collectively, the "**Hin Leong Entities**") on 22 September 2020, 9 October 2020 and 30 October 2020 respectively. Mr Tan Thiam Hee's appointment to the board of directors of the Hin Leong Entities was at the nomination of the judicial manager of the Hin Leong Entities. As at the Latest Practicable Date, each of the Hin Leong Entities have been placed in liquidation.

As Mr Tan Thiam Hee's role on the board of ETC was to assist in resolving the issues that the company encountered prior to his appointment to the board and was not involved in the management of ETC when the issues occurred, the Proposed New Board and the New Nominating Committee is of the view that his appointment as a Proposed Independent Director is in compliance with Rule 406(3)(b) of the Catalist Rules.

Disclosures relating to the Proposed Independent Director, Mr Kenny Yap Kim Lee

On 21 January 2016, Mr Kenny Yap Kim Lee was charged under section 67 of the Road Traffic Act 1961 of Singapore for driving under the influence of alcohol. Mr Kenny Yap Kim Lee was fined S$3,200 and banned from driving for twenty-five (25) months.

On 1 November 2017, Mr Kenny Yap Kim Lee was disqualified as a director in India for a five (5) year period commencing 1 November 2016 under Section 164 of the Indian Companies Act for failing to ensure the filing of financial statements or annual returns for three (3) years in a row. This related to his involvement as a director of Qian Hu Aquasstar (India) Private Limited ("**Qian Hu Aquasstar**").

Mr Kenny Yap Kim Lee has confirmed that:

(i) Qian Hu Aquasstar was previously an associated company of Qian Hu Corporation Limited ("**Qian Hu**"), a company listed on the Mainboard of the SGX-ST. As at the Latest Practicable Date, Mr Kenny Yap Kim Lee is the controlling shareholder and Executive Chairman and Management Director of Qian Hu;

(ii) Qian Hu had established Qian Hu Aquasstar with a joint venture partner in India to manufacture fish food and aquarium accessories. In connection with the foregoing, Mr Kenny Yap Kim Lee was appointed as a director of Qian Hu Aquasstar. Qian Hu Aquasstar was an associated company of Qian Hu and Qian Hu Aquasstar was managed by the joint venture partner;

(iii) in the fourth quarter of 2014, Qian Hu disposed of all of its shareholding interest in Qian Hu Aquasstar to its joint venture partner. Mr Kenny Yap Kim Lee understood that the joint venture partner would thereafter wind down Qian Hu Aquasstar as the business would be discontinued. Since the disposal by Qian Hu in 2014, Mr Kenny Yap Kim Lee and Qian Hu were no longer involved in the matters relating to Qian Hu Aquasstar;

(iv) in connection with such disposal, Mr Kenny Yap Kim Lee had left the joint venture partner to complete the necessary winding down process for Qian Hu Aquasstar and did not follow up on this as he believed that the joint venture partner would carry through the winding down process and his directorship in Qian Hu Aquasstar would also cease following its winding down; and

(v) prior to the commencement of the due diligence process in connection with the Proposed Acquisition, Mr Kenny Yap Kim Lee had no knowledge of the fact of his disqualification to act as a director in India.

Pursuant to a deed of undertaking dated 27 December 2023, Mr Kenny Yap Kim Lee has represented and undertaken to the Company that (i) he is no longer a joint venture partner of Qian Hu Aquasstar; (ii) he will take all reasonable measures to procure his resignation from the board of directors of Qian Hu Aquasstar; and (iii) he will take all reasonable measures to procure that Qian Hu Aquasstar is dissolved, wound up or struck off (as the case may be).

In view of the above, the Proposed New Board and the New Nominating Committee is of the view that Mr Kenny Yap Kim Lee's appointment as a Proposed Independent Director is in compliance with Rule 406(3)(b) of the Catalist Rules.

Disclosures relating to the Proposed Independent Director, Mr Solomon Tan

Agritrade Resources Limited ("**Agritrade**") is a company incorporated in Bermuda with limited liability and was previously listed on the The Stock Exchange of Hong Kong Limited ("**HKEX**"). On 15 May 2020, it was announced that Agritrade received petitions filed by certain creditors with the Supreme Court of Bermuda for orders that Agritrade be wound up by the Bermuda Court, among others, for a failure to repay its debts. On 1 June 2020, the Bermuda Court made an order

that provisional liquidators be appointed on a light touch approach for restructuring purposes. In connection with such restructuring, Mr Solomon Tan was initially appointed as Chief Restructuring Officer and was subsequently redesignated as Executive Director of Agritrade on 30 August 2021, and was principally tasked to lead Agritrade's restructuring efforts. The restructuring of Agritrade's debt did not eventually materialise, and, on 21 January 2022, HKEX cancelled the listing of Agritrade's shares and on 28 January 2022, Agritrade was ordered to be wound up by the Supreme Court of Bermuda.

As Mr Solomon Tan was appointed to the board of Agritrade to help with the restructuring exercise and was not involved in the management of the company when the company encountered financial issues, the Proposed New Board and the New Nominating Committee is of the view that Mr Solomon Tan's appointment as a Proposed Independent Director is in compliance with Rule 406(3)(b) of the Catalist Rules.

Disclosures relating to the controlling shareholder, Dr Derek Goh Bak Heng

In March 2019, Tong Chiang, an associated company of Serial System, was ordered by the High Court of Singapore to be wound up. Tong Chiang was a company incorporated in Singapore and was in the business of manufacturing food products and food catering. On 22 August 2015, pursuant to a conditional sale and purchase agreement with Ms. Lisa Zou Xiangyun, Serial System International Pte. Ltd. (a wholly owned subsidiary of Serial System), acquired 21% of the issued and paid-up capital in Tong Chiang. In connection with such acquisition, Dr Derek Goh Bak Heng was appointed as a non-executive director of Tong Chiang, as Serial System International Pte. Ltd.'s nominee director and remained as director from 28 August 2015 to 14 September 2018, although he was not involved in the management of Tong Chiang.

In October 2014, Gogain Development Sdn Bhd was ordered by the High Court of Malaysia to be wound up. Dr Derek Goh Bak Heng was a Director of Gogain Development Sdn Bhd.

In November 2015, Dr Derek Goh Bak Heng was requested by the Monetary Authority of Singapore to assist in investigations involving him concerning Sections 197 and 198 of the SFA. On 21 September 2021, MAS informed Dr Derek Goh Bak Heng it has completed its investigations and the matter is now closed. Dr Derek Goh Bak Heng has been given a conditional warning by the MAS. The conditional warning requires that Dr Derek Goh Bak Heng shall not act as a company director for a period of twenty-four (24) months and the personal payment of a financial sum of S$50,000. Further, per the Monetary Authority of Singapore, the conditional warning does not amount to a conviction for an offence or a finding of guilt by a court of law, nor does it constitute a criminal record.

In February 2017, a civil suit has been initiated by the Securities and Futures Investors Protection Center of Taiwan ("**SFIPC**") against amongst others; Bull Will Co., Ltd, (a 14.92% associated company of Serial System Ltd), its directors, independent directors, supervisors, accounting supervisors, legal shareholder, and external auditors (the details of which have been announced on SGXnet by Serial System Ltd on 23 February 2017). In June 2021, the civil suit was dismissed by the Taiwanese Court on the basis that they were without merit. SFIPC subsequently filed an appeal. The civil suit is currently in progress. Dr Derek Goh Bak Heng was a Non-Executive Legal Representative Director of Bull Will Co., Ltd from 13 June 2007 to 5 October 2021.

In June 2018 and September 2018, Dr Derek Goh Bak Heng was requested by the Taiwan Taipei District Prosecutors Office and the Investigation Bureau, Ministry of Justice of Taiwan to assist in certain investigations concerning Bull Will Co. Ltd., a 14.92% associated company of the Serial System Group, under the Securities and Exchange Act of Taiwan. On 9 April 2020, the investigation by the Taiwan authorities were concluded with no further action being taken with respect to Dr Derek Goh Bak Heng.

Although Dr Derek Goh Bak Heng is a controlling shareholder of Serial System, he will not be part of the Proposed New Board. The Proposed New Board will comprise a new board of directors with a majority of independent directors and the Target Group will be managed independently from Serial System. Since the conditional warning imposed by MAS in October 2021, the Board and the Nominating Committee is not aware of any other conduct arising in respect of Dr Derek Goh Bak Heng which would cast doubt on his character and integrity to act as a controlling shareholder of a listed entity on the SGX-ST.

In addition, Dr Derek Goh Bak Heng has continued to act as Chief Executive Officer of Serial System and will be permitted to resume acting as a director of listed entities from 5 October 2023 onwards. The continued appointment of Dr Derek Goh Bak Heng as Serial System's Chief Executive Officer suggests the Serial System board's confidence in the character and integrity of Dr Derek Goh Bak Heng.

In view of the above, the Proposed New Board and the New Nominating Committee is of the view that the disclosure above does not materially cast doubt on Dr Derek Goh Bak Heng's character and integrity and his continued involvement as a controlling shareholder of Serial System, who will become the Company's Controlling Shareholder on Completion is in compliance with Rule 406(3)(b) of the Catalist Rules.

27. EMPLOYEES

Target Company

As of the Latest Practicable Date, the Target Company has a workforce of twenty-nine (29) full-time employees who are all located in Malaysia.

The breakdown of the number of full-time employees of the Target Company by business function as at 31 December 2020, 31 December 2021, 31 December 2022, 30 June 2023 and as at the Latest Practicable Date is as follows:

Function	Number of full-time employees as at				
	31 December 2020	31 December 2021	31 December 2022	30 June 2023	Latest Practicable Date
Management	2	2	2	2(1)	2(1)
Customer Service	2	2	2	2	2
Finance	2	2	2	4	3
Logistics & Operations	10	10	10	10	10
Marketing	9	9	10	11	8
Sales	4	4	4	4	4
Total	29	29	30	33	29

Note:

(1) This excludes the Proposed Executive Director and CEO, Mr Kenny Sim and the proposed Group General Manager, Mr Jason Soh, who will be appointed as Executive Director and CEO and Group General Manager respectively upon Completion. Both Mr Kenny Sim and Mr Jason Soh will be employed by the Company.

As at the Latest Practicable Date, none of the Target Company's employees are related to the Proposed New Board and Substantial Shareholders.

As at the Latest Practicable Date, other than the amounts set aside or accrued as required for compliance with the applicable laws of Singapore, no amounts have been set aside or accrued by the Target Company to provide for pension, retirement or similar benefits for any of its employees.

The Target Company does not hire a significant number of temporary employees.

The Target Company's employees are not unionised. The relationship and cooperation between the management team and staff has been good and is expected to continue to remain so in the future. There has not been any incidence of work stoppages or labour disputes which affected the Target Company's operations.

Target Thai Company

The Target Thai Company was incorporated on 22 May 2023 and is a dormant company as at the date of this Circular.

Pursuant to the Implementation Agreement, twenty-eight (28) employees of the Existing Thai Company (including Mr Natthawat, who is presently the Existing Thai Company's Managing Director, and will, on Completion, be the Target Thai Company's General Manager (Thailand)), who as at the Latest Practicable Date, are involved in the Existing Thai Company's operations in the Thai IT Consumer Business, will cease their employment with the Existing Thai Company and will commence employment with the Target Thai Company on terms no less favourable than their existing employment terms offered by the Existing Thai Company.

Such employees comprise three (3) employees in the management function, five (5) employees in finance, two (2) employee that are product managers, five (5) employees in sales, one (1) employee responsible for general administration, one (1) employee in IT, one (1) employee in HR, one (1) employee in legal and nine (9) employees in logistics.

As at the Latest Practicable Date, none of the Target Thai Company's prospective employees are related to the Proposed New Board and Substantial Shareholders.

It is not expected that the Target Thai Company will hire a significant number of temporary employees.

General

Any new employment of related employees and the proposed terms of their employment will be subject to the review and approval of the New Remuneration Committee. In the event that a member of the New Remuneration Committee is related to the employee under review, he will abstain from the review.

No remuneration was paid or is to be paid to any of the Proposed New Board, Proposed New Executive Officers or employees through any arrangement that involves the issue or grant of options or shares or any other securities or securities-based derivatives contracts of the Target Company.

28. CORPORATE GOVERNANCE

28.1 Board Practices

The Proposed New Board recognises the importance of corporate governance to the Shareholders and will use their best efforts to implement the good practices recommended in the Code of Corporate Governance 2018.

Following the appointment of the Proposed New Board, the Company will have seven (7) Directors, of which four (4) will be Independent Directors.

None of the Proposed Independent Directors have any existing business or professional relationship of a material nature with the Enlarged Group, members of the Proposed New Board and/or the Substantial Shareholders of the Enlarged Group. None of the Proposed Independent Directors are related to any of the current Directors, the Proposed New Board and/or Substantial Shareholders of the Enlarged Group.

The Proposed New Board will have overall responsibility for the corporate governance of the Enlarged Group so as to protect and enhance long-term Shareholder value. It will set the overall strategy for the Enlarged Group and supervise executive management and monitor their performance. Apart from its statutory responsibilities, the Proposed New Board will be responsible for:

(a) reviewing the financial performance and condition of the Enlarged Group;

(b) approving the Enlarged Group's strategic plans, key operational initiatives, major investment and funding decisions; and

(c) identifying principal risks of the Enlarged Group's business and ensuring the implementation of appropriate systems to manage the risks.

The Proposed New Board will hold half yearly meetings every year, with additional meetings for particular matters convened when necessary. The Proposed New Board will also periodically review the internal controls and risk management systems of the Enlarged Group to ensure that there are sufficient guidelines and procedures in place to monitor its operations.

The Proposed New Board will continue to implement a policy of providing full disclosure of material corporate information as commercially appropriate through announcements, press releases, Shareholders' circulars as well as through the interim and annual financial results announcements.

Every Director on the Proposed New Board will be expected, in the course of carrying out his duties, to act in good faith, provide insights and consider at all times the interests of the Company.

All other matters will be delegated to various committees whose actions will be monitored by the Proposed New Board. These committees include the New Audit and Risk Committee, the New Nominating Committee and the New Remuneration Committee. Each committee operates within clearly defined terms of reference and functional procedures. Please see sections titled "*New Audit and Risk Committee*", "*New Nominating Committee*" and "*New Remuneration Committee*" respectively of this Target Group's Letter to Shareholders.

28.2 Lead Independent Director

In view of the proposed Chairman and Non-Executive Director, Mr Sean Goh, not being regarded as independent, in accordance with the Code of Corporate Governance 2018, the proposed Lead Independent Director of the Company upon Completion is Mr Tan Thiam Hee.

As the proposed Lead Independent Director, he will be available to Shareholders where they have concerns for which contact through the normal channels of communication with the Chairman and Non-Executive Director or management are inappropriate or inadequate.

28.3 New Audit and Risk Committee

The New Audit and Risk Committee will comprise Mr Tan Thiam Hee, Mr Solomon Tan and Mr Kenny Yap Kim Lee. The chairman of the New Audit and Risk Committee will be Mr Tan Thiam Hee.

The New Audit and Risk Committee will assist the Board of Directors in discharging its responsibility to safeguard the Enlarged Group's assets, maintain adequate accounting records and develop and maintain effective systems of internal control, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Enlarged Group. The New Audit and Risk Committee shall meet, at a minimum, twice a year.

The New Audit and Risk Committee will provide a channel of communication between the Directors, the management and the external auditors on matters relating to audit. The New Audit and Risk Committee shall meet periodically to perform the following functions:

(a) review the audit plans and scope of work of the external auditors and internal auditors, the results of the external and internal auditors' review and evaluation of the Enlarged Group's system of internal controls, and their management letters on the internal controls and the management's response, and monitor the implementation of the internal control recommendations made by the external and internal auditors (including undertaking a follow up review of the internal control recommendations made by BDO Advisory Pte. Ltd, engaged by the Target Company to conduct an internal control review in preparation for the Proposed Acquisition);

(b) commission an annual internal controls audit post-RTO (such review to be carried out internally or with the assistance of any competent third parties) and review and report to the board of Directors on findings of such internal controls audit in relation to the adequacy and effectiveness of the Enlarged Group's internal controls (addressing financial, operational, compliance and information technology risks) and risk management systems and discuss issues and concerns, if any, prior to disclosure of information and the incorporation of the Directors' comments in the Enlarged Group's annual report, including the systems and internal controls monitoring the Enlarged Group's compliance with its loan covenants. The Board will report to the Company and SGX prior to decommissioning such internal controls audit and such report shall include the bases for the decision as well as the measures taken to rectify key weaknesses and/or strengthen the internal controls;

(c) review the adequacy, effectiveness, independence, scope and results of the external audit and the Enlarged Group's internal audit function, including ensuring that the internal audit function has appropriate standing and has unfettered access to all documents, records, properties and personnel, including the New Audit and Risk Committee;

(d) make recommendations to the Directors on establishing an adequate, effective and independent internal audit function (which can be in-house or outsourced to a reputable accounting/auditing firm or corporation), and ensure that the internal audit function is adequately resourced and staffed with persons with the relevant qualifications and experience and that the internal auditors comply with the standards set by nationally or internationally recognised professional parties;

(e) review the interim financial results and annual consolidated financial statements and the external auditor's report on the annual consolidated financial statements, and review and discuss any significant adjustments, major risk areas, changes in accounting policies and practices, significant financial reporting issues and judgements, compliance with Singapore financial reporting standards as well as compliance with the Catalist Rules and other statutory or regulatory requirements, concerns and issues arising from their audits, to ensure the integrity of the financial statements of the Enlarged Group and any announcements relating to the Enlarged Group's financial performance, before submission to the Directors for approval;

(f) meet with the external auditor, and with the internal auditor, in each case without the presence of the management, at least annually;

(g) review and discuss with the Enlarged Group's external and internal auditors, any suspected fraud, irregularity or infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Enlarged Group's operating results or financial position and the management's response;

(h) review and ensure the co-ordination among the Enlarged Group's internal auditor, external auditor and management, including assistance given by management to the auditors;

(i) consider the independence and objectivity of the external auditor, taking into account the non-audit services provided by the external auditor and the fees paid for such non-audit services, if any;

(j) review and ratify any interested person transactions falling within the scope of Chapter 9 of the Catalist Rules, and approve interested person transactions where the value thereof amounts to 3.0% or more of the latest audited NTA of the Enlarged Group (either individually or as part of a series or aggregated with other transactions involving the same interested person during the same financial year), or any agreement or arrangement with an interested person that is not in the ordinary course of business of the Enlarged Group, prior to the Enlarged Group's entry into the transaction, agreement or arrangement;

(k) review and monitor the Enlarged Group's transactions with the Serial System Group and/or their associates on an internal basis, to ensure that such transactions are not prejudicial to the interest of the Company and its minority Shareholders;

(l) make recommendations to the Board of Directors on the proposals to the Company's Shareholders with regard to the appointment, re-appointment and removal of the internal and external auditors, and the remuneration and terms of engagement of the internal and external auditors;

(m) review and approve the Enlarged Group's hedging policies (if any), and conduct periodic reviews of the hedging policies, together with the transactions and hedging activities undertaken by the Enlarged Group;

(n) review the Enlarged Group's compliance with such functions and duties as may be required under the relevant statutes or the Catalist Rules and the Code of Corporate Governance 2018, including such amendments as may be made thereto from time to time;

(o) review any potential conflicts of interests and set out a framework to resolve or mitigate such potential conflicts of interests, and monitor compliance with such framework;

(p) establish and review the policy and arrangements by which employees of the Enlarged Group or any other persons may safely raise concerns about possible improprieties in financial reporting or other matters and ensure that there are arrangements in place for independent investigation of such concerns and appropriate follow-up actions in relation thereto, and ensure that the Enlarged Group publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns;

(q) review the assurance from the CEO and the Financial Controller on the financial records and financial statements;

(r) assisting the Board in the discharge of its responsibilities on financial reporting matters;

(s) review of the Enlarged Group's financial risk areas, with a view to providing an independent oversight on the Enlarged Group's financial reporting, with the outcome of such review to be disclosed in the annual reports, or if the findings are material, to be immediately announced via SGXNET;

(t) review and establish procedures for receipt, retention and treatment of complaints received by the Enlarged Group, *inter alia*, criminal offences involving the Enlarged Group or its employees, questionable accounting, auditing, business, safety or other matters that impact negatively on the Enlarged Group;

(u) reviewing the risk profile of the Enlarged Group and the appropriate steps to be taken to mitigate and manage risks at acceptable levels determined by the Board;

(v) undertake such other reviews and projects as may be requested by the board of Directors and report to the board of Directors its findings from time to time on matters arising and requiring the attention of the New Audit and Risk Committee;

(w) monitor whether the terms of the non-competition deeds provided to the Company have been complied with;

(x) review and approve transactions falling within the scope of Chapter 10 of the Catalist Rules (if any);

(y) review the job scope and responsibilities of related employees and resolve or mitigate any actual or potential conflicts of interest;

(z) ensure that the Target Group transitions from purchasing its Non-AMD Products from the Serial Group to directly from the Manufacturers prior to the end of the three (3)-month interim period following Completion;

(aa) monitoring Serial System's compliance with the Serial System Deed of Undertaking;

(ab) monitor Serial System (as corporate guarantor) and the Target Company's discussions with UOB Malaysia and Maybank, including the proposed amendment of the banking covenants in order to allow the Target Company to comply with the terms of such banking covenants; in the event UOB Malaysia and Maybank do not agree to such amendments to the banking covenants, to ensure that appropriate waivers have been obtained to ensure that the banking facilities continue to remain in force and the Target Company would continue to have a right to utilise the banking facilities;

(ac) undertake such other functions and duties as may be required by statute or the Catalist Rules;

(ad) oversee the resolution of the cessation of Mr Kenny Yap Kim Lee's partnership with his joint venture partner in Qian Hu Aquasstar and his directorship of the same; and

(ae) monitor FVC's compliance with the deed of undertaking dated 27 December 2023, during the Undertaking Period (as defined below).

Apart from the duties listed above, the New Audit and Risk Committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls, or infringement of any law, rule or regulation which has or is likely to have a material impact on the Enlarged Group's operating results and/or financial position. Each member of the New Audit and Risk Committee shall abstain from reviewing and deliberating on any transactions or voting on any resolutions in respect of matters in which he is interested.

In addition, the New Audit and Risk Committee shall oversee the compliance by the Target Thai Company, the Existing Thai Company and SIFE of the terms of the Implementation Agreement, including monitoring whether the terms of the Implementation Agreement have been complied with, reviewing and establishing procedures to ensure that the Target Company's purchase of IT products and computer peripherals during the Transition Period (as defined below) is in accordance with the terms of the Implementation Agreement, and ensuring compliance by Mr Natthawat of his obligations under the Target Thai Company SHA and the Target Thai Company Lease Agreement.

Pursuant to the completion of the Proposed Transactions, the business of the Enlarged Group will comprise wholly of the business of the Target Company. Therefore, in preparation for the Proposed Acquisition, the Target Company has commissioned BDO Advisory Pte. Ltd. as internal auditor to conduct an internal control review of key business processes for identifying gaps within the internal controls framework and recommending controls improvement plans to the Target Company. The internal control scope of the review was based on the materiality and determined

in consultation with the Sponsor considering the nature of business and key business processes of the Target Company which include revenue and receivables, procurement and payments, inventory management, contract management, compliance monitoring including the Personal Data Protection Act 2012 of Singapore, general controls / period end closing, HR and payroll management, fixed asset management, IT general controls, cash and bank management, risk management and follow-up review.

Following the completion of the Proposed Transactions, the Company will implement or adopt the same controls that the Target Group has put in place and the New Audit and Risk Committee will also conduct a follow up internal audit review to ensure that the Target Thai Company fully implements such controls. The Company will continue to engage BDO Advisory Pte. Ltd. to conduct its annual internal control review and follow-up review post Completion.

The New Audit and Risk Committee has held discussions with Ms Ellen Yap, the proposed new Financial Controller and the internal auditor in relation to the Target Company's internal controls. The Proposed New Board has noted that no material internal control weakness had been raised by the external auditors in the course of their audit of the Target Company's financial statements for FY2020, FY2021 and FY2022. The Proposed New Board also noted that the internal auditor has reviewed the implementation of the recommendations for observations raised in relation to the Target Company's internal control weaknesses and noted that management has implemented the recommendations as agreed. As such, based on the internal control review report, there was no material internal control weakness not addressed by the management of the Target Company relating to the Target Company's systems of internal controls (including financial, operational, compliance and information technology controls) and risk management systems that remained unresolved.

Based on the foregoing, the risk management system and internal controls established and maintained by the Target Company, work performed by the internal and external auditors, and reviews performed by management, the Proposed New Board, after making all reasonable enquiries and to the best of its knowledge and belief, with the concurrence of the New Audit and Risk Committee, is satisfied that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the Target Company are adequate and effective as at the Latest Practicable Date to address the financial, operational, compliance and information technology risks which the Target Company considers relevant and material to its operations.

Proposed Financial Controller

The New Audit and Risk Committee, after having:

(a) conducted an interview with Ms Ellen Yap;

(b) considered the qualifications and past working experience of Ms Ellen Yap (as described in Section 26.3 titled "*Proposed New Executive Officers*" of this Target Group's Letter to Shareholders);

(c) observed Ms Ellen Yap's abilities, familiarity, diligence and competency in relation to the financial matters and information of the Target Company; and

(d) noted the absence of negative feedback on Ms Ellen Yap from the Target Company's Independent Auditor and Reporting Accountant and internal auditor,

is of the view that Ms Ellen Yap is suitable for the position of Financial Controller of the Enlarged Group and she will be able to discharge her duties satisfactorily.

The New Audit and Risk Committee confirms that, after making all reasonable enquiries, and to the best of its knowledge and belief, nothing has come to its attention to cause it to believe that Ms Ellen Yap does not have the competence, character and integrity expected of a financial controller of a listed issuer.

28.4 New Nominating Committee

The New Nominating Committee will comprise Mr Jason Su, Mr Kenny Yap Kim Lee and Mr Tan Thiam Hee. The chairman of the New Nominating Committee will be Mr Jason Su.

The New Nominating Committee shall meet periodically to perform the following functions:

(a) develop and maintain a formal and transparent process for the selection, appointment and re-appointment of Directors, taking into account the need for progressive renewal of the board of Directors, and make recommendations to the board of Directors on the appointment and re-appointment of Directors (including alternate Directors, if any), taking into consideration each Director's competencies, commitment, contribution and performance (for example, attendance, preparedness, participation and candour) including, if applicable, his performance as an Independent Director;

(b) review succession plans for the Directors, in particular, the appointment and/or replacement of the Chairman, CEO and Executive Officers;

(c) ensure that all Directors submit themselves for re-nomination and re-election at least once every three (3) years;

(d) determine the composition of the board of Directors, taking into account the future requirements of the Enlarged Group, as well as the need for Directors who, as a group, provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Enlarged Group, and other considerations as set out in the Code, and set the objectives for achieving board diversity and review the Enlarged Group's progress towards achieving these objectives;

(e) determine on an annual basis, and as and when circumstances require, whether or not a Director is independent having regard to the Code of Corporate Governance 2018 and any other salient factors;

(f) in respect of a Director who has multiple board representations on various companies, if any, review and decide, on an annual basis (or more frequently as the New Nominating Committee deems fit), whether such Director is able to and has been adequately carrying out his duties as a Director, having regard to the competing time commitments that are faced by the Director when serving on multiple boards and discharging his duties towards other principal commitments, and establish guidelines on what a reasonable and maximum number of directorships and principal commitments for each Director (or type of Director) shall be;

(g) review training and professional development programmes for the board of Directors;

(h) assess whether each Director is able to and has been adequately carrying out his duties as a Director;

(i) ensure that new Directors are aware of their duties and obligations;

(j) appraise the qualifications and experience of any new appointments to the Board and recommending whether such nomination should be supported;

(k) review and approve any employment of related employees and the proposed terms of their employment;

(l) ensure that the Directors disclose their relationships with the Enlarged Group, related corporations, substantial shareholders or officers which may affect their independence, review such disclosures and highlight these to the Board as required; and

(m) undertake such functions and duties as may be required by statute or the Catalist Rules.

In addition, the New Nominating Committee will develop a process for evaluating the performance of the board of Directors, its board committees and recommend for the board of Directors' approval, the objective performance criteria and process for the evaluation of the effectiveness of the board of Directors as a whole, and of each board committee separately, as well as the contribution by the Chairman of the board of Directors and each individual Director to the board of Directors. The evaluation should consider the composition of the board of Directors (balance of skills, gender, experience, independence, knowledge of the Company, and diversity), board practices and conduct, and how the board of Directors as a whole adds value to the Company. The New Nominating Committee shall consider the use of peer comparisons and other objective third party benchmarks.

These performance criteria shall not be changed from year to year, and where circumstances deem it necessary for any of the criteria to be changed, the onus shall be on the board of Directors to justify its decision. The evaluation of each individual Director's performance shall aim to assess whether each Director is willing and able to constructively challenge and contribute effectively to the board of Directors, and demonstrate commitment to his roles on the board of Directors (including the roles of the Chairman of the board of Directors and chairman of a board committee). The chairman of the board of Directors shall act on the results of the performance evaluation and, in consultation with the New Nominating Committee, propose, where appropriate, new members to be appointed to the board of Directors or seek the resignation of Directors.

Each member of the New Nominating Committee shall abstain from deliberating and voting on resolutions in respect of the assessment of his performance or independence or re-nomination as a Director. In the event that any member of the New Nominating Committee has an interest in a matter being deliberated upon by the New Nominating Committee, he will abstain from participating in the review and approval process relating to that matter.

The New Nominating Committee's View of the Proposed Independent Directors

The New Nominating Committee, after having considered the following:

(a) the principal occupation and commitments of the Proposed Independent Directors;

(b) the confirmations by the Proposed Independent Directors that they are able to devote sufficient time and attention to the affairs of the Enlarged Group;

(c) the confirmations by the Proposed Independent Directors that each of them is not accustomed or under an obligation, whether formal or informal, to act in accordance with the directions, instructions or wishes of any Controlling Shareholder, and has no relationship with the Enlarged Group, its related corporations, its Substantial Shareholders or its officers that could interfere or be reasonably perceived to interfere, with the exercise of his or her independent business judgement with a view to the best interests of the Enlarged Group;

(d) none of the Proposed Independent Directors is or was in the past three (3) financial years employed by the Target Company or any of its related corporations;

(e) none of the immediate family members of the Proposed Independent Directors is or was in the past three (3) financial years employed by the Target Company or its related corporations and whose remuneration was or is determined by the Remuneration Committee;

(f) the Proposed Independent Directors' working experience and expertise in different areas of specialisation;

(g) the disclosure relating to the Proposed Independent Director Mr Jason Su; and

(h) the composition of the board of Directors,

is of the view that (i) the Proposed Independent Directors are individually and collectively able to commit sufficient time and resources to discharge their respective duties, and are suitable and possess the relevant experience to be appointed as Proposed Independent Directors of the Enlarged Group; and (ii) the Proposed Independent Directors, as a whole, represent a strong and independent element on the board of Directors which is able to exercise objective judgment on corporate affairs independently from the Controlling Shareholders.

Disclosure relating to Mr Jason Su

Our Independent Director, Mr Jason Su, is the Chief Investment Officer of Farquhar VC Pte Ltd ("**FVC"**) and has a 25.0% interest in the share capital of FVC. FVC is a Singapore-based venture capital firm that invests in early-stage start-ups across Southeast Asia. Mr Jason Su is not related to the Target Group, its directors, management, substantial shareholders and/or their respective associates.

In November 2020, FVC closed a funding round for a special purpose vehicle, FVC-LOMO Pte Ltd, which was incorporated for the purposes of investing into Lomotif Private Limited. The funding round included an aggregate of USD400,000 invested by Serial System, Mr Sean Goh, the proposed Chairman and Non-Executive Director and Dr Derek Goh Bak Heng, the controlling shareholder of Serial System (the "**Relevant Investors**"). An exit was triggered in February 2021 with completion in August 2021. In connection with such exit event, the Relevant Investors paid an amount equal to S$154,654 comprising management, administrative fees and carried interest, to FVC in September 2021.

In addition, on 30 November 2022, FVC closed its maiden fund, FVC Fund I which included an investment of S$500,000 from Serial System International Pte. Ltd., a subsidiary of the Serial System Group, and an aggregate of S$828,000 in co-investments from the Relevant Investors into three (3) special purpose vehicles seeded by FVC Fund I. Such investments comprised approximately 20.2% of the aggregate investment amount raised by FVC for the FVC Fund I, and save as disclosed herein, FVC has not raised any further amounts from the Serial System Group, Mr Sean Goh, Dr Derek Goh Bak Heng and their respective associates. Under the terms governing the FVC Fund I, in the event of an exit, FVC is entitled to a share of an agreed percentage of the proceeds (in excess of the initial amount of capital raised). FVC is not entitled to any recurring management fees, and will only be paid such management fees on an exit event. For the avoidance of doubt, all investments of FVC are conducted through FVC Fund I. Serial System, Mr Sean Goh and Dr Derek Goh Bak Heng do not exercise any control on investment decisions of FVC and its affiliates.

The Board and the New Nominating Committee (save for Mr Jason Su), after having considered the above, is of the view that (i) Mr Jason Su's role as Chief Investment Officer of FVC would not interfere, or reasonably be perceived to interfere, with the exercise of his independent business judgement in the best interests of the Enlarged Group; and (ii) Mr Jason Su's appointment as an Independent Director of the Company is in line with Provision 2.1 and Practice Guidance 2 of the Code of Corporate Governance 2018 as:

(i) Mr Jason Su has never been employed by the Company, the Target Company or any of its related corporations;

(ii) Mr Jason Su does not have any immediate family members who is or has been employed by the Company, the Target Company or any of its related corporations during the Period Under Review;

(iii) in carrying out his role as Chief Investment Officer of FVC, Mr Jason Su reports to the board of directors of FVC and is not accustomed or obligated to act under the instructions of Serial System or its subsidiaries, Mr Sean Goh or Dr Derek Goh Bak Heng;

(iv) any proceeds to be received by FVC or Mr Jason Su in his capacity as a shareholder of FVC, would be dependent on the performance of FVC's portfolio companies and is not dependent on Serial System or its subsidiaries, Mr Sean Goh or Dr Derek Goh Bak Heng; and

(v) pursuant to a deed of undertaking dated 27 December 2023, FVC has undertaken unconditionally and irrevocably that, for so long as Mr Jason Su remains as an independent director of the Company and Serial System is a controlling shareholder of the Company (the "**Undertaking Period**"), FVC shall not and shall procure that their associates shall not raise any capital or secure or take any investments, directly or indirectly, from the Relevant Investors. In addition, FVC has undertaken that, during the Undertaking Period, it shall not charge the Relevant Investors any management, administrative fees and carried interest in excess of S$200,000.

28.5 New Remuneration Committee

The New Remuneration Committee will comprise Mr Kenny Yap Kim Lee, Mr Jason Su, and Mr Solomon Tan. The chairman of the New Remuneration Committee will be Mr Kenny Yap Kim Lee.

The New Remuneration Committee shall meet periodically to perform the following functions:

(a) review and recommend to the board of Directors for approval a framework of remuneration for the Directors and Executive Officers as well as the specific remuneration packages for each Executive Director and Executive Officer, ensuring that a significant and appropriate proportion of the remuneration is structured so as to link rewards to corporate and individual performance. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, benefits-in-kind and termination payments shall be covered, with the aim to be fair and avoid rewarding poor performance;

(b) review annually the remuneration, bonuses, pay increase and/or promotions of employees who are related to the Directors or Substantial Shareholders to ensure that their remuneration packages are in line with staff remuneration guidelines and commensurate with their respective job scopes and level of responsibilities, and review and approve any new employment of related employees and the proposed terms of their employment, and reviewing and recommending to the board of Directors, for endorsement, the specific remuneration packages for each of the Directors and the Executive Officers;

(c) review the Enlarged Group's obligations arising in the event of termination of service contracts entered into between the Enlarged Group and the Directors or Executive Officers, as the case may be, to ensure that the service contracts contain fair and reasonable termination clauses which are not overly generous;

(d) if necessary, seek expert advice within and/or outside the Enlarged Group on remuneration matters, ensuring that existing relationships, if any, between the Company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants;

(e) perform an annual review of the remuneration packages in order to maintain their attractiveness to retain and motivate the Directors and the Executive Officers, and to align the interests of the Directors and the Executive Officers with the interests of the Shareholders and other stakeholders and promote the long-term success of the Enlarged Group;

(f) ensure that the remuneration of non-executive Directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities;

(g) review the terms of performance-related remuneration or incentive schemes (if any) and administer such schemes;

(h) propose appropriate performance targets for assessing the performance of key management personnel, individual Directors and of the Board as a whole;

(i) ensure the remuneration policies and systems of the Enlarged Group support the Enlarged Group's objectives and strategies and are consistently being administered and adhered to;

(j) review the remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation, and the statements in the annual report; and

(k) undertake such other function and duties as may be required by statute or the Catalist Rules.

Each member of the New Remuneration Committee shall abstain from reviewing, deliberating and voting on any resolution in respect of his remuneration package or that of any employees who are related to him.

28.6 Arrangements or Understandings

None of the members of the Proposed New Board and the Proposed New Executive Officers has any arrangement or understanding with any of the Substantial Shareholders, customers or suppliers or other persons pursuant to which such director or executive officer will be appointed as a director or executive officer.

29. INTERESTED PERSON TRANSACTIONS

Shareholders should note that upon Completion, any material transaction entered into between the Enlarged Group and any of the interested persons namely, the Proposed New Board, CEO and Controlling Shareholders of the Enlarged Group and/or their respective associates (collectively, "**Interested Persons**" and each, an "**Interested Person**") would constitute interested person transactions for the purpose of Chapter 9 of the Catalist Rules.

This section sets out the material Interested Person transactions entered into by the Target Company and Enlarged Group for the Relevant Period. Save as disclosed in this section, and in Section titled "*Potential Conflicts of Interest*" of this Target Group's Letter to Shareholders, there has been no Interested Person transaction which is material in the context of the Proposed Acquisition for the Relevant Period.

In line with Chapter 9 of the Catalist Rules, a transaction which value is less than S$100,000 is not considered material in the context of the Proposed Acquisition and is not taken into account for the purposes of aggregation in this section.

The Enlarged Group may continue to transact with some of the Interested Persons as disclosed below after Completion. Save as otherwise provided in this section, Shareholders are deemed to have specifically approved the Interested Person transactions set out below with the relevant Interested Persons and as such, these transactions shall accordingly not be aggregated with further transactions with the same Interested Person during the same financial year for the purpose of Rules 905 and 906 of the Catalist Rules.

29.1 Interested Persons

The following is a list of Interested Persons who had transacted with the Target Company and the Enlarged Group during the Relevant Period:

	Interested Person	Relationship with the Target Company
1.	Serial System	Serial System is a company incorporated in Singapore, and as at the Latest Practicable Date, operates two (2) business segments, its electronics components distribution segment and its consumer distribution operating segment. Please refer to section titled "*Potential Conflicts of Interest*" for more information on Serial System's businesses. Serial System is listed on the Mainboard of the SGX-ST. As at the Latest Practicable Date, the Target Company is wholly-owned by SIFE, which in turn is a wholly-owned subsidiary of Serial System through an intermediate company SCE Enterprise Pte. Ltd. Upon Completion of the Proposed Share Consolidation, the Proposed Share Issuance Transactions and the completion of the Proposed Compliance Placement, Serial System will have an indirect interest in 73.3% of the Target Company via the Company's Enlarged Share Capital. Accordingly, Serial System is and will be an Interested Person under Chapter 9 of the Catalist Rules.
2.	SIFE (or the Vendor)	SIFE is a company incorporated in Singapore, and as at the Latest Practicable Date, is in the business of investment holding and trading and distribution of consumer products, information technology and photographic products. SIFE is a wholly-owned subsidiary of SCE Enterprise Pte. Ltd., which is in turn a wholly-owned subsidiary of Serial System. Accordingly, SIFE is an Interested Person under Chapter 9 of the Catalist Rules. Prior to Completion, the Target Company was a wholly-owned subsidiary of SIFE.
3.	SerialTec	SerialTec is a company incorporated in Singapore, and as at the Latest Practicable Date, is in the business of distribution and marketing of information technology, computer peripherals, parts, software and related products. SerialTec is a wholly-owned subsidiary of SCE Enterprise Pte. Ltd., which is in turn a wholly-owned subsidiary of Serial System. Accordingly, Serial Tec is an Interested Person under Chapter 9 of the Catalist Rules.
4.	Straitsmart	Straitsmart is a company incorporated in Malaysia, and as at the Latest Practicable Date, is in the business of trading and distribution of consumer products. Straitsmart was incorporated on 29 June 2020 and was a wholly-owned subsidiary up until the completion by the Target Company of a disposal of its entire interest in Straitsmart to URG Pte. Ltd., which is an indirect subsidiary of Serial System, on 23 December 2022 at a consideration of RM1. The consideration of RM1 was arrived at having considered the net liability position of Straitsmart as at 30 November 2022 as per Straitsmart's management accounts. Accordingly, Straitsmart became an Interested Person under Chapter 9 of the Catalist Rules on 23 December 2022.

	Interested Person	Relationship with the Target Company
5.	SMPL	SMPL is a company incorporated in Singapore, and as at the Latest Practicable Date, is in the business of investment holding and distribution of electronic and electrical components. SMPL is a wholly-owned subsidiary of Serial System. Accordingly, SMPL is an Interested Person under Chapter 9 of the Catalist Rules.
6.	Swift-Value Business Pte. Ltd. ("**Swift Value**")	Swift-Value is a company incorporated in Singapore, and as at the Latest Practicable Date, is a wholly-owned subsidiary of Serial System. Accordingly, Swift-Value is an Interested Person under Chapter 9 of the Catalist Rules.
7.	URG Pte. Ltd. ("**URG**")	URG is a company incorporated in Singapore, and as at the Latest Practicable Date, is an indirect subsidiary of Serial System. Accordingly, URG is an Interested Person under Chapter 9 of the Catalist Rules.
8.	SerialTec Japan	SerialTec Japan is a company incorporated in Japan, and as at the Latest Practicable Date, is an indirect subsidiary of Serial System. Accordingly, SerialTec Japan is an Interested Person under Chapter 9 of the Catalist Rules.

29.2 Past Interested Person Transactions

Details of the past transactions between the Target Company and Interested Persons for the Relevant Period are as follows:

(1) Provision of accounting and warehouse storage services by the Target Company to Straitsmart

Straitsmart was incorporated on 29 June 2020 and was a wholly-owned subsidiary of the Target Company up until the completion by the Target Company of its disposal to URG of all of its shareholding interest in Straitsmart on 23 December 2022. Accordingly, Straitsmart became an Interested Person under Chapter 9 of the Catalist Rules on 23 December 2022.

During the Relevant Period, the Target Company provided accounting and warehouse storage services to Straitsmart. The aggregate amounts of the fees paid by Straitsmart during the Relevant Period were as follows:

(USD)	FY2020	FY2021	FY2022	1H2023	From 1 July 2023 to the Latest Practicable Date
Accounting services and warehouse storage fees	6,764	20,815	729	–	–

The fees for the accounting services were charged on a cost recovery basis without any mark-up with reference to the manpower and payroll costs incurred by the Target Company based on an estimate of the time spent by the relevant accounting staff. The warehouse storage fees were determined based on the rent rate charged by a third-party landlord to the Target Company with reference to the amount of warehouse space that was utilised by Straitsmart.

As no comparable quotes were available from the market at the relevant time, the Proposed New Directors are of the view that the accounting services were not performed on an arm's length basis or on normal commercial terms, but were not prejudicial to the interests of the Target Company as the Target Company was able to recover its costs in providing such services to Straitsmart.

The Proposed New Directors are of the view that the fees for warehouse storage fees were conducted on an arm's length basis and on normal commercial terms and were not prejudicial to the interests of the Target Company as the Target Company was paid for warehouse storage space that would have otherwise been unutilised.

The aforementioned transactions had ceased on 30 November 2022 and the Enlarged Group will not be entering into any similar transactions with Straitsmart post Completion.

(2) Management services performed by SIFE and SMPL

During the Relevant Period, SIFE and SMPL provided management services to the Target Company including corporate planning, management and operations review and other managerial and administrative services necessary for effective day-to-day operations, pursuant to service agreements dated 1 January 2018 and 1 January 2021 (as amended by an addendum dated 1 January 2023) respectively. The management services were mainly performed by Mr Jason Soh, who, prior to Completion, was a General Manager of the Serial System Group and who will upon Completion be the Target Group's Group General Manager.

The service agreements will be terminated effective from Completion.

The amount of management fees paid to SMPL and SIFE by the Target Company during the Relevant Period were as follows:

(USD)	**FY2020**	**FY2021**	**FY2022**	**1H2023**	**From 1 July 2023 to the Latest Practicable Date**
Management fees paid to SMPL	–	64,952	69,990	36,291	30,351
Management fees paid to SIFE	98,523	25,722	23,473	11,372	10,033

The above management fees were charged on a cost recovery basis without any mark-up with reference to the payroll costs (based on an estimate of the time spent by Mr Jason Soh and other relevant employees) in providing such services. The Proposed New Directors are of the view that such fees were not charged on an arm's length basis and not on normal commercial terms. However, such fees were not prejudicial to the interests of the Target Company as the Target Company benefitted from the management services provided by SIFE and SMPL.

As Mr Jason Soh will be the Target Group's Group General Manager upon Completion, the Enlarged Group does not intend to enter into similar transactions after Completion. With effect from Completion, the Target Group's Group General Manager will be an employee of the Company.

(3) Payments made by the Serial System Group on behalf of the Target Company and payments made by the Target Company on behalf of the Serial System Group

During the Relevant Period, certain entities in the Serial System Group had made payments on behalf of the Target Company as the Target Company was a part of the Serial System Group. Such payments related to staff welfare costs for the Target Company's employees, freight charges relating to the Target Company's IT products and computer peripherals and travel expenses incurred by Serial System's employees in providing management services to the Target Company.

In addition, as part of the Serial System Group, the Target Company had made payments on behalf of the Serial System Group. Such payments related to fees for services provided to the Serial System Group that were denominated in RM and stocks which were purchased in Malaysia for sale by certain subsidiaries of the Serial System Group.

The amounts paid by Serial System Group on behalf of the Target Company and the amounts paid by the Target Company on behalf of the Serial System Group during the Relevant Period are as follows:

(USD)	FY2020	FY2021	FY2022	1H2023	From 1 July 2023 to the Latest Practicable Date
Payments made by Serial System Group on behalf of the Target Company	6,051	5,968	4,122	25,180	27,645
Payments made by the Target Company on behalf of the Serial System Group	8,839	1,194,793	47,330	110,120	–

The Proposed New Directors are of the view that the above transactions were not conducted on an arm's length basis and not on normal commercial terms. In relation to the payments made by Serial System Group on behalf of the Target Company, such transactions were not prejudicial to the interests of the Target Company as payments were made on behalf of the Target Company at no extra cost to the Target Company. In relation to the payments made by the Target Company on behalf of the Serial System Group, such transactions were prejudicial to the interests of the Target Company as the Target Company did not receive any additional consideration in making such payments on behalf of the Serial System Group. As at the Latest Practicable Date, the payments made by the Target Company on behalf of the Serial System Group has been fully repaid by the Serial System Group to the Target Company.

Following Completion, there is no intention for the Serial System Group to make payments on behalf of the Enlarged Group or for the Enlarged Group to make payments on behalf of Serial System.

(4) Past management services performed by Serial System Group

The Serial System Group provides management services to its subsidiaries. Accordingly, during the Relevant Period, Serial System had provided certain management services to the Target Company. Such management services include corporate planning management and operations review, financial management, treasury and accounting services and internal checks and controls, pursuant to a service agreement dated 1 January 2016.

As a result, the Target Company had paid the following amounts as management fees to Serial System:

(USD)	FY2020	FY2021	FY2022	1H2023	From 1 July 2023 to the Latest Practicable Date
Management fees paid to Serial System	137,562	110,020	115,283	–	–

The management fees were charged based on the cost incurred by Serial System in providing such management services plus an average mark-up of between 10.0% – 12.0%.

The Proposed New Directors are of the view that the above management services were conducted on an arm's length basis and on normal commercial terms as the mark-up charged by Serial System was within the range of other comparable net cost plus mark-ups reported by functionally comparable independent companies on the provision of support services as identified by an independent third-party tax advisor. As the mark-up charged by Serial System was within the range of comparable mark-ups, the Target Company did not need to expend time, cost and effort to source for suitable third parties to provide such services but was able to immediately tap on the existing support staff of Serial System. As such, such transactions were not prejudicial to the interests of the Target Company.

The existing service agreement will be terminated with effect from Completion, and, on Completion, Serial System will provide the following shared services to the Target Company under a shared services agreement dated 27 December 2023:

(a) in-house legal support services;

(b) software (SAP) and IT support services;

(c) human resources and other general administrative services; and

(d) trade credit insurance management services.

(5) Provision of Interco Loan by SMPL

During the Relevant Period, SMPL had extended the Interco Loan to the Target Company. Details of the Interco Loan are set out below.

Lender (USD)	Outstanding advance as at 31 December 2020	Outstanding advance as at 31 December 2021	Outstanding advance as at 31 December 2022	Outstanding advance as at 30 June 2023	Outstanding advance as at Latest Practicable Date	Largest outstanding amount during the Relevant Period	Interest rate	Interest amount charged from 1 January 2023 to the Latest Practicable Date (USD)
SMPL	–	–	–	1,000,000	1,000,000	1,000,000	0%(1)	–

Note:

(1) The interest rate charged was initially agreed as being 7.06% per annum, such rate being equal to the USD bank loan rate quoted by a third-party financial institution plus 1.0%. In connection with the Proposed Capitalisation, Serial System has issued a credit note dated 29 June 2023, under which it has waived all interest payable by the Target Company on the Interco Loan.

As the Interco Loan was extended on an interest free basis, the Proposed New Directors considered that the Interco Loan was not entered into on an arm's length basis or on normal commercial terms, but was not prejudicial to the interests of the Target Company as the Interco Loan was utilised to fund the Target Company's working capital requirements.

At Completion, under the Serial System Deed of Undertaking, Serial System has undertaken to accept the settlement of all amounts outstanding under the Interco Loan and the Interco Balances via an issuance of 17,410,169 new Consolidated Shares to Serial System at the Issue Price at Completion.

Following such loan settlement, no outstanding loans will be due from the Target Company to Serial System.

29.3 Present and On-Going Interested Person Transactions

(1) Shared services performed by Serial System

During the Relevant Period, Serial System had provided certain shared services to the Target Company, comprising (a) in-house legal support services; (b) software (SAP) and IT support services; and (c) human resources services, pursuant to a service agreement dated 1 January 2016.

In addition, Serial System had provided certain trade credit insurance management services to the Target Group. Such trade credit insurance management services involved Serial System taking out customer trade credit insurance policies on behalf of the Target Group's customers.

The amounts paid by the Target Company to Serial System for the provision of such shared services during the Relevant Period were as follows:

(USD)	FY2020	FY2021	FY2022	1H2023	From 1 July 2023 to the Latest Practicable Date
Service fees paid to Serial System	44,068	138,905	88,547	42,382	15,593
Trade credit insurance management services	–	–	36,992	15,317	21,264

The service fees paid to Serial System for such shared services were charged based on the cost incurred by Serial System in providing such shared services plus an average mark-up of between 10.0% to 12.0% in order to comply with IRAS's guidelines on transfer pricing for the provision of services between related parties. Such mark-up was determined based on the results of an independent benchmarking exercise commissioned and paid for by Serial System for transactions between entities within the Serial System Group (including the Target Company).

The trade credit insurance management services were charged on a cost recovery basis based on insurance premiums incurred by Serial System that are attributable to the Target Company.

The average management fees paid to Serial System for the present and on-going shared services performed by Serial System for the Period Under Review of USD102,837 (based on the FY2022 closing rate of USD1:S$1.3395 equivalent to S$137,750) which constitute approximately 0.35% and 0.23%, and USD42,382 (based on 1H2023 closing rate of USD1:S$1.3364 equivalent to S$56,639) which constitute approximately 0.15% and 0.18% of implied valuation of the Company at Completion of S$39,121,154 (based on the total number of shares after completion of the Proposed Transactions of 165,767,602 Shares at Issue Price) and *pro forma* revenue of the Enlarged Group for FY2022 and 1H2023 of USD44,666,000 and USD34,406,000 respectively.

The Proposed New Directors are of the view that the shared services were conducted on an arm's length basis and on normal commercial terms as the mark-up charged by Serial System was within the range of other comparable net cost plus mark-ups reported by functionally comparable independent companies on the provision of support services as identified by an independent third-party tax advisor. As the mark-up charged by Serial System was within the range of comparable mark-ups, the Target Company did not need to expend time, cost and effort to source for suitable third parties to provide such services but was able to immediately tap on the existing support staff of Serial System. As such, such transactions were not prejudicial to the interest of the Target Company.

The Proposed New Directors are of the view that the trade credit insurance management services were not conducted on an arm's length basis as Serial System did not charge a mark-up. However, the transactions were not prejudicial to the interests of the Target Company as the Target Company benefitted from the trade credit insurance policies taken out by Serial System and did not have to expend time, cost and effort to source for suitable insurers to obtain such trade credit insurance.

The existing service agreement will be terminated with effect from Completion. Following Completion, taking into account the scale of the Target Group's current business, the Target Group intends to continue utilising such shared services provided by Serial System as such shared services remain cost beneficial to the Target Company. The New Audit and Risk Committee will ensure the Target Company obtains such services independently when it becomes commercially viable for it to do so. Accordingly, on 27 December 2023 Serial System, the Target Company and the Target Thai Company entered into a shared services agreement under which Serial System will provide (a) in-house legal support services; (b) software (SAP) IT support services; (c) human resources and other general administrative services; and (d) trade credit insurance management services, to the Target Group.

Under the terms of the shared services agreement, the fees payable by the Target Group for the shared services shall be the actual cost incurred by Serial System plus a pre-determined mark-up based on an independent annual benchmarking exercise to be commissioned and paid for by the Target Group to determine the reasonable arms' length range for the mark-up for purposes of compliance with IRAS's guidelines on transfer pricing for the provision of services between related parties. The shared services agreement will be for an initial period of three (3) years with an option to renew for successive one (1)-year periods thereafter and may be terminated without cause by either party giving not less than three (3) months' written notice to the other party of such termination.

Please refer to the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders for more information.

(2) Corporate guarantees provided by Serial System and SerialTec

During the Relevant Period, the Target Company had benefited from corporate guarantees provided by Serial System in securing banking facilities to support its business pursuant to the terms of a service agreement dated 1 January 2016. Please refer to the section titled "*Capitalisation and Indebtedness*" of this Target Group's Letter to Shareholders for more information on such facilities.

In connection with the provision of such guarantees, Serial System charged the Target Company a fee amounting to 1.0% per annum of the amount guaranteed:

(USD)	**FY2020**	**FY2021**	**FY2022**	**1H2023**	**From 1 July 2023 to the Latest Practicable Date**
Corporate guarantee fee	38,273	24,527	51,145	–	–

As such rates are less than the rates offered by banks or financial institutions, the corporate guarantee was not on an arm's length basis or on normal commercial terms. However, as the payment of the corporate guarantee fees allowed the Target Company to tap on Serial System to guarantee its borrowings from financial institutions, such transactions were not prejudicial to the interests of the Target Company.

In addition, during the Relevant Period, the Target Company had benefited from corporate guarantees provided by SerialTec in securing banking facilities from UOB Malaysia to support its business. Please refer to the section titled "*Capitalisation and Indebtedness*" of this Target Group's Letter to Shareholders for more information on such facilities.

SerialTec did not receive any consideration from the Target Company for providing the above corporate guarantee. Accordingly, the provision of such corporate guarantee was not made on an arm's length basis, not on normal commercial terms but was not prejudicial to the interests of the Target Company.

Following Completion, any banking facilities taken out by the Target Group will be secured by corporate guarantees provided by the Company (if required by the Target Group's bankers). In this regard, Maybank had on 10 October 2023, consented to the replacement of the Target Company's existing corporate guarantee granted by Serial System with a corporate guarantee from the Company post Completion. However, the Target Group may, from time to time, be required to tap on Serial System to provide such corporate guarantees. Under the terms of the Serial System Deed of Undertaking, Serial System has undertaken to provide, and to procure that its subsidiaries (including SerialTec) provide, such corporate guarantees to the Target Group at no cost to the Target Group for two (2) years following Completion (such rate to be subject to review by the New Audit and Risk Committee every two (2) years thereafter). For the avoidance of doubt, the Serial System Deed of Undertaking does not specify a limit to such corporate guarantee. Such transactions will be subject to both the requirements under Chapter 9 of the Catalist Rules and the guidelines and procedures highlighted in the IPT Mandate set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

The Proposed New Board is of the view that the Enlarged Group will, following such 2-year period, be able to obtain the necessary banking facilities to support its operations if and when needed, without material reliance on the Serial System Group, in view of the following:

(a) any banking facilities taken out by the Target Group may be secured by corporate guarantees provided by the Company, as a listed company; and

(b) on 10 October 2023, Maybank consented to the discharge of the existing corporate guarantee(s) provided by Serial System and for the existing corporate guarantees to be replaced with a corporate guarantee by the Company post Completion.

(3) Purchases of IT products and computer peripherals through SMPL and SIFE and payment of administrative fees and the reimbursement of incentive rebates received by the Manufacturers

During the Relevant Period, SMPL and SIFE had purchased IT products and computer peripherals from the Manufacturers as intermediaries on behalf of the Target Company. The Target Company had sold such IT products and computer peripherals to its customers in Malaysia. In addition, pursuant to service agreements both dated 1 January 2018 and amended by addendum agreements both dated 1 January 2023, SMPL and SIFE had charged the Target Company administrative fees.

Further, from time to time, the Manufacturers would grant incentive rebates and issued credit notes for returned materials, which were paid via credit notes issued to SMPL and SIFE, which in turn passed on such incentive rebates and returned materials credit amount to the Target Company by SMPL and SIFE issuing credit notes to the Target Company. The value of the incentive rebates were determined by the Manufacturers and were subject to the Target Company meeting the Manufacturers' sales targets. The returned materials credit amount was equal to the costs of the goods that were defective and returned to the Manufacturers.

The amount of such purchases through SMPL and the credit notes issued by SMPL during the Relevant Period is as follows:

(USD)	FY2020	FY2021	FY2022	1H2023	From 1 July 2023 to the Latest Practicable Date
Purchases of IT products and computer peripherals (including AMD Products) and the payment of administrative fees (for Non-AMD Products)	13,892,154	16,416,420	13,046,618	5,929,378	4,886,563
Reimbursement of incentive rebates and returned materials credit amount received from the Manufacturers	2,145,673	663,560	2,039,488	604,764	655,290

The amount of such purchases through SIFE and the amounts reimbursed to SIFE during the Relevant Period is as follows:

(USD)	FY2020	FY2021	FY2022	1H2023	From 1 July 2023 to the Latest Practicable Date
Purchases of IT products and computer peripherals and the payment of administrative fees	18,864,856	30,928,956	24,988,573	10,378,227	7,019,332
Reimbursement of incentive rebates and returned materials credit amount received from the Manufacturers	2,076,121	1,772,965	2,155,466	1,214,487	1,229,461

In relation to the Target Company's purchase of AMD Products through SMPL, the Target Company purchased such products at the same prices as other local in-country resellers of AMD Products. As such, these transactions were on an arm's length basis and on normal commercial terms and were not prejudicial to the interests of the Target Company.

In relation to the Target Company's purchase of Non-AMD Products through SMPL and SIFE, the purchase price paid by the Target Company for such Non-AMD Products was equal to the purchase price paid by SMPL and SIFE for such Non-AMD Products. The administrative fee was charged at a rate equal to 0.1% of the aggregate purchase price paid by SMPL or SIFE for its purchase of such Non-AMD Products, pursuant to the terms of the service agreements, to remunerate SMPL and SIFE on their administrative and handling costs incurred for the purchase of such Non-AMD Products.

As the purchase price paid by the Target Company for Non-AMD Products was equal to the purchase price paid by SMPL and SIFE, and the Target Company was only charged a nominal administrative fee, the above transactions were not provided on an arm's length basis and were not on normal commercial terms. However, as such purchases allowed the Target Company to fulfil orders received from its customers in Malaysia and extended credit terms, the Proposed New Directors are of the view that the transactions were not prejudicial to the interests of the Target Company.

Following Completion, the Enlarged Group intends to continue purchasing AMD Products from SMPL, as SMPL holds the distribution rights for the AMD Products for certain countries in Southeast Asia (including Indonesia, Singapore, Thailand and Vietnam) and Japan as a regional distributor of AMD Products. No administrative fee will be charged by the Enlarged Group for the purchases of AMD Products and the Enlarged Group will purchase AMD Products from SMPL at the prices offered to other local in-country resellers. Such transactions will be subject to the requirements under Chapter 9 of the Catalist Rules and the guidelines and the procedures highlighted in the IPT Mandate set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

In relation to the Non-AMD Products, as at the Latest Practicable Date, the Target Company has entered into distribution agreements with certain of its Manufacturers, and the Target Group is in discussions with the other Manufacturers in order for it to purchase its Non-AMD Products directly from the Manufacturers instead of through SIFE and SMPL. The Target Group expects to be able to purchase all of its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion. During this three (3)-month interim period, the Target Group will continue to purchase such products from SIFE and SMPL at cost, and SIFE and SMPL will not charge any administrative fee. Such transactions will be subject to the requirements under Chapter 9 of the Catalist rules and the guidelines and procedures highlighted in the IPT Mandate set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

(4) Ad hoc sales of IT products and computer peripherals to the Serial System Group

During the Relevant Period, the Target Company sold certain IT products and computer peripherals on an *ad hoc* basis to the Serial System Group.

A breakdown of such sales during the Relevant Period is as follows:

(USD)	**FY2020**	**FY2021**	**FY2022**	**1H2023**	**From 1 July 2023 to the Latest Practicable Date**
Sale of IT products and computer peripherals to the Serial System Group	–	–	80,293	12,970	46,002

Such IT products and computer peripherals were sold to the Serial System Group at book value. As such, the Proposed New Directors are of the view that the aforementioned transactions were not carried out on an arm's length basis, not on normal commercial terms and were prejudicial to the interests of the Target Company.

Following Completion, the Target Company may from time to time sell such IT products and computer peripherals to Serial System, SIFE and SerialTec. The Proposed New Directors will ensure that prior to the sale of IT products and computer peripherals to Serial System, SIFE and SerialTec, the price (or fee) and terms of at least two (2) other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as comparison wherever possible. While other factors will be taken into consideration, the Mandated Interested Persons shall generally be charged at rates consistent with the usual margins or prices (or fees) extended by the EAR Group to unrelated third parties. This is to ensure that the sale of such IT products will be on an arm's length basis, normal commercial terms and will not be prejudicial to the interest of the Company and its minority Shareholders, the sale of such IT Products will be subject to the requirements under Chapter 9 of the Catalist Rules and the guidelines and procedures highlighted in the IPT Mandate set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

(5) Charges related to the obtaining of supporting security from Serial System and SIFE

During the Relevant Period, the Target Company had benefited from standby letters of credit taken out by the Serial System in connection with the banking facilities of the Target Company. In addition, the Target Company had benefited from trust receipts taken out by SIFE, in connection with the Target Company's purchases of IT products and computer peripherals purchased through SIFE.

In connection with the above transactions, Serial System charged the Target Company the following fees:

(USD)	FY2020	FY2021	FY2022	1H2023	From 1 July 2023 to the Latest Practicable Date
Fees paid to Serial System for provision of standby letters of credit	29,048	29,368	28,045	30,403	–
Fees paid to SIFE for benefit of trust receipts	127,029	162,888	182,553	146,796	148,143

The above fees were charged on a cost recovery basis and represented the actual amount of fees paid by Serial System or SIFE to its bankers to obtain such standby letters of credit or trust receipts (as the case may be).

As no mark-up was charged by Serial System or SIFE, the Proposed New Directors are of the view that such fees were not charged on an arm's length basis and not on normal commercial terms. However, such fees were not prejudicial to the interests of the Target Company as it provided the Target Company with credit support for purposes of importing goods.

Following Completion, under the terms of the Serial System Deed of Undertaking, Serial System has undertaken to continue to provide, and to procure that its subsidiaries continue to provide, trust receipts and other supporting security for the benefit of the Target Group at no cost for a period of two (2) years following Completion (such rate to be subject to review by the New Audit and Risk Committee every two (2) years thereafter). All such transactions made between the Enlarged Group on one hand and Serial System or SIFE on the other will be entered into in accordance with such guidelines as described in the section titled "*Interested Person Transactions – Review Procedures for Future Interested Person Transactions (for transactions not covered by the Proposed IPT Mandate)*". If required under the Catalist Rules, the Enlarged Group will seek Shareholders' approval for such transactions.

29.4 Review Procedures for Future Interested Person Transactions (for transactions not covered by the Proposed IPT Mandate)

To ensure that future transactions with Interested Persons are undertaken on normal commercial terms and are consistent with the Enlarged Group's usual business practices and policies, and on terms which are generally no more favourable than those extended to unrelated third parties, the following procedures will be implemented by the Enlarged Group for future transactions with Interested Persons (save for transactions covered by the Proposed IPT Mandate).

In relation to any purchase of products or procurement of services from Interested Persons, quotes from at least two (2) unrelated third parties in respect of the same or substantially the same type of transactions will be used as comparisons wherever possible. The purchase price, procurement price or fee for services shall not be higher than the most competitive price of two (2) comparative prices from two (2) unrelated third parties. In determining the most competitive price or fee, the New Audit and Risk Committee will review the comparables, taking into account all pertinent factors, including but not limited to, the suitability, quality and cost of the product or service and the experience and expertise of the supplier.

In relation to any sale of products or provision of services to Interested Persons, the price, fee, profit margin and terms of at least two (2) other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as bases for comparison wherever possible. The Interested Persons shall not be charged at rates more favourable than that charged to unrelated third parties, taking into account all pertinent factors, including but not limited to customer requirements and creditworthiness.

In relation to the leasing of properties from or to an Interested Person, the New Audit and Risk Committee shall take appropriate steps to ensure that the rent charged is comparable to the prevailing market rates, including adopting measures such as making relevant enquiries with landlords of similar properties, obtaining suitable reports or reviews published by property agents, and obtaining independent valuation reports by property valuers, where appropriate. The rent payable shall be based on the most competitive market rental rate of similar properties in terms of size, suitability and location.

Where it is not possible to compare against the terms of other transactions with unrelated third parties and given that the products and/or services may be purchased only from an interested person, the interested person transaction will be approved by the Financial Controller, if he has no interest in the transaction, or failing which, the New Audit and Risk Committee, in accordance with the Enlarged Group's usual business practices and policies.

In determining the transaction price payable to the Interested Person for such products and/or services, factors such as, but not limited to: (a) quantity; (b) quality; (c) requirements; and (d) specifications will be taken into account.

The Enlarged Group shall monitor all Interested Person transactions entered into by the Enlarged Group by categorising the transactions as follows:

(a) all Interested Person transactions above S$100,000 but below 3.0% of the latest audited NTA of the Enlarged Group (either individually or as part of a series or aggregated with other transactions involving the same Interested Person during the same financial year) shall be approved by the Financial Controller prior to entry. The Financial Controller shall be a person who has no interest, directly or indirectly, in the transaction; and

(b) for Interested Person transactions where the value thereof amounts to 3.0% or more of the latest audited NTA of the Enlarged Group, the Enlarged Group shall obtain the approval of the New Audit and Risk Committee prior to entering into the transaction. Where an Audit and Risk Committee member has an interest, directly or indirectly, in the transaction, he shall abstain from participating in the review of the transaction. In the event of an equality of votes pertaining to any iInterested Person transactions put forth to the New Audit and Risk Committee for approval, the New Audit and Risk Committee chairman shall have the casting vote. Should the casting vote be exercised, such circumstances leading to the exercise of the casting vote shall be properly minuted, including the steps taken to assess the objections of the dissenting Independent Director and attempts for consensus to be reached between the Proposed Independent Directors. Further, the dissenting view shall also be minuted.

Pursuant to Rule 905(4) of the Catalist Rules, in the event that the latest audited NTA of the Enlarged Group is negative, the Financial Controller shall consult the New Audit and Risk Committee, or where required under Chapter 9 of the Catalist Rules, through its Sponsor, consult the SGX-ST, on the appropriate benchmark to calculate the relevant thresholds above, which may be based on the Company's market capitalisation.

Any contracts to be made with an Interested Person shall not be approved unless the pricing is determined in accordance with the Enlarged Group's usual business practices and policies, consistent with the usual rate given or price received by the Enlarged Group for the same or substantially similar types of transactions between the Enlarged Group and unrelated parties, and the terms are no more favourable than those extended to or received from unrelated parties.

For the purposes above, where applicable, contracts for the same or substantially similar types of transactions entered into between the Enlarged Group and unrelated third parties will be used as a basis for comparison to determine whether the price and terms offered to, or received from an Interested Person are no more favourable than those extended to unrelated parties.

Before any agreement or arrangement with an Interested Person that is not in the ordinary course of business of the Enlarged Group is transacted, prior approval must be obtained from the New Audit and Risk Committee. In the event that a member of the New Audit and Risk Committee is interested in any Interested Person transactions, he will abstain from reviewing that particular transaction. Any decision to proceed with such an agreement or arrangement would be recorded for review by the New Audit and Risk Committee.

The Enlarged Group shall maintain a register to record all Interested Person transactions that are entered into by the Enlarged Group, including any pertinent factor(s) considered and/or quotations obtained from unrelated third parties to support the price, fee, rental and/or terms of the Interested Person transaction, and the review and/or approval of the New Audit and Risk Committee. The register shall be maintained by personnel (who shall not be interested in any of the Interested Person transactions) who are duly delegated to do so by the New Audit and Risk Committee and any exceptions or departures from the review procedures shall be reported and highlighted to the New Audit and Risk Committee immediately. In addition, the Enlarged Group will maintain a register of Interested Persons and ensure that the list is circulated to the Enlarged Group's employees whenever it is updated.

All Interested Person transactions shall be subject to review by the New Audit and Risk Committee on a half-yearly basis to ensure that they are carried out at arm's length and in accordance with the procedures outlined above and to ensure that the prevailing rules and regulations of the SGX-ST (in particular, Chapter 9 of the Catalist Rules) are complied with. The finance team of the Enlarged Group will prepare the relevant information to assist the New Audit and Risk Committee in its review. Furthermore, if during these periodic reviews, the New Audit and Risk Committee believes that the guidelines and procedures as outlined above are not sufficient to ensure that the Interested Person transactions will be conducted on normal commercial terms, on an arms' length basis and that the interests of the Company and its minority Shareholders are not prejudiced, the Enlarged Group will adopt new guidelines and procedures. The New Audit and Risk Committee may request for an independent financial adviser's opinion on such guidelines and procedures as it deems fit.

In addition, the New Audit and Risk Committee will include the review of Interested Person transactions as part of its standard procedures while examining the adequacy of the Enlarged Group's internal controls. The Board will also ensure that all disclosures, approvals and other requirements on Interested Person transactions, including those required by prevailing legislation, the Catalist Rules and accounting standards, are complied with. Such transactions will also be subject to Shareholders' approval if deemed necessary by the Catalist Rules. In accordance with Rule 919 of the Catalist Rules, Interested Persons and their associates shall abstain from voting, or acting as proxies unless given specific instructions as to voting by the Shareholder(s), on resolutions approving such Interested Person transactions.

29.5 General Mandate for Interested Person Transactions

The Enlarged Group anticipates that it would, in the ordinary course of business, enter into or continue to enter into certain transactions with the Mandated Interested Person (as defined below). In view of the time-sensitive and recurrent nature of such commercial transactions, it would be advantageous for the Company to obtain a general mandate from its Shareholders pursuant to Chapter 9 of the Catalist Rules to enable any or all members of the Enlarged Group, in the ordinary course of their business, to enter into the Mandated Transactions (as defined below) with the Mandated Interested Person which are necessary for day-to-day operations, provided that all such transactions are carried out on normal commercial terms, on an arm's length basis, and are not prejudicial to the interests of the Company and its minority Shareholders (the "**Proposed IPT Mandate**").

Chapter 9 of the Catalist Rules

Pursuant to Rule 920(2) of the Catalist Rules, the Enlarged Group may treat the Proposed IPT Mandate as being obtained if the information required under Rule 920(1)(b) of the Catalist Rules is included in this Target Group's Letter to Shareholders. In relation to the Enlarged Group, the information required by Rule 920(1)(b) of the Catalist Rules is as follows:

(a) the names of the Interested Persons with whom the Entity at Risk (as defined below) will be transacting;

(b) the nature of the transactions contemplated under the mandate;

(c) the rationale for, and benefit to, the Entity at Risk;

(d) the methods or procedures for determining transaction prices;

(e) the independent financial adviser's opinion on whether the methods or procedures in (d) are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders;

(f) an opinion from the New Audit and Risk Committee if it takes a different view to the independent financial adviser;

(g) a statement from the Company that it will obtain a fresh mandate from Shareholders if the methods or procedures in (d) above become inappropriate; and

(h) a statement that the Interested Person will abstain and has undertaken to ensure that its associates will abstain, from voting on the resolution approving the transaction.

For the avoidance of doubt, the Proposed IPT Mandate will cover any and all Mandated Transactions, including transactions which have a value below S$100,000, notwithstanding that the threshold and aggregation requirements under Chapter 9 of the Catalist Rules as at the date of this Target Group's Letter to Shareholders may not apply to such transactions.

While transactions below S$100,000 are not normally aggregated under Rule 906(2) of the Catalist Rules, the SGX-ST may aggregate any such transaction entered into during the same financial year and treat them as if they were one (1) transaction in accordance with Rule 902 of the Catalist Rules.

Transactions which do not fall within the ambit of the Proposed IPT Mandate shall be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Catalist Rules and/or any applicable law. In particular, any transaction outside the scope of the Proposed IPT Mandate of value equal to or exceeding 5.0% of the Enlarged Group's latest audited NTA will require independent Shareholders' approval. Transactions conducted under the Proposed IPT Mandate are not separately subject to Rules 905 and 906 of the Catalist Rules pertaining to threshold and aggregation requirements.

The Proposed IPT Mandate will be effective until the conclusion of the Company's first annual general meeting following Completion. Thereafter, the Company will seek the approval of its Shareholders for a renewal of the Proposed IPT Mandate at each subsequent annual general meeting, subject to satisfactory review by the New Audit and Risk Committee of its continued application to the Mandated Transactions with the Mandated Interested Person.

In accordance with Rule 920(1)(b)(viii) of the Catalist Rules, Interested Persons who have an interest in the Mandated Transactions and their associates shall abstain from voting on the resolutions approving the renewal of the Proposed IPT Mandate. Furthermore, such Interested Persons shall not act as proxies in relation to such resolutions unless voting instructions have been given by the appointing Shareholder.

Upon Completion, Serial System will be the controlling shareholder of the Company and its interests in the Mandated Interested Persons are as follows:

Serial System's interest in the Mandated Interested Persons	Serial System's interest in the relevant Mandated Interested Person as at the Latest Practicable Date
SIFE	SIFE is an indirect wholly-owned subsidiary of Serial System
SMPL	SMPL is a wholly-owned subsidiary of Serial System
SerialTec	SerialTec is an indirect wholly-owned subsidiary of Serial System

In consideration of the above, Serial System and their respective associates will abstain from voting on the resolutions approving the renewal of the Proposed IPT Mandate.

For the purposes of the Proposed IPT Mandate, an "*Entity at Risk*" means:

(a) the Company;

(b) a subsidiary of the Company (excluding subsidiaries listed on the SGX-ST or an approved exchange) and in particular, includes the Target Company and the Target Thai Company; or

(c) an associated company of the Company (other than an associated company that is listed on the SGX-ST or an approved exchange) over which the Enlarged Group, or the Enlarged Group and the Interested Person(s), has or have control,

(together, the "**EAR Group**").

Names of the Mandated Interested Persons

The Proposed IPT Mandate will apply to the Mandated Transactions that are carried out between any Entity at Risk and the following Interested Persons:

(a) Serial System;

(b) SIFE;

(c) SMPL; and

(d) SerialTec.

(the "**Mandated Interested Persons**").

Transactions between the Mandated Interested Person and the EAR Group which do not fall within the ambit of the Proposed IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules and such guidelines and review procedures as set out in this section of this Target Group's Letter to Shareholders.

Categories of Mandated Transactions

The Enlarged Group envisages that in the ordinary course of its business, the following transactions between the EAR Group and the Mandated Interested Person(s) are likely to occur from time to time:

(a) the provision of certain shared services, comprising (i) in-house legal support services; (ii) software (SAP) and IT support services; (iii) human resources and general administrative services; and (iv) trade credit insurance management services, by the Mandated Interested Persons to the EAR Group;

(b) the borrowing of funds and obtaining of guarantees and other supporting security from the Mandated Interested Persons, including standby letters of credit and trust receipts;

(c) the purchase by the EAR Group of IT products and computer peripherals from the Mandated Interested Persons; and

(d) the sale by the EAR Group of IT products and computer peripherals to the Mandated Interested Persons,

(collectively, the "**Mandated Transactions**").

For the avoidance of doubt, there will be no sale or purchase of any assets, undertakings or businesses within the scope of the Proposed IPT Mandate.

Rationale for and benefits of the Proposed IPT Mandate

Given the nature of the Target Company's business, the Target Group envisages that the Mandated Transactions are likely to continue to occur from time-to-time, in the ordinary course of our business. In view of the time-sensitive and recurrent nature of the Mandated Transactions, it would be advantageous for the Target Group to obtain the Proposed IPT Mandate to enable the EAR Group to enter into the Mandated Transactions, provided that the Mandated Transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Enlarged Group and its minority Shareholders.

The Proposed IPT Mandate and its subsequent renewal on an annual basis would eliminate the need to announce, or to announce and convene separate general meetings from time to time to seek Shareholders' prior approval as and when potential Mandated Transactions with the Mandated Interested Person arise, thereby saving substantial administrative time and costs expended in convening such meetings, without compromising the corporate objectives of the EAR Group and adversely affecting the business opportunities available to the EAR Group. These transactions may be constrained by their time-sensitive nature, and it may be impractical to seek Shareholders' approval on a case-by-case basis before entering into them.

The Proposed IPT Mandate is intended to facilitate the Mandated Transactions in the ordinary course of business of the EAR Group from time to time with the Mandated Interested Person, provided that they are carried out at arm's length and on normal commercial terms and are not prejudicial to the interests of the Enlarged Group and its minority Shareholders.

In accordance with the requirements of Chapter 9 of the Catalist Rules, the Enlarged Group will: (a) disclose in the Enlarged Group's annual report the aggregate value of transactions conducted with the Mandated Interested Person pursuant to the Proposed IPT Mandate during the financial year (as well as in the annual reports for subsequent financial years that the Proposed IPT Mandate continues to be in force); and (b) announce the aggregate value of transactions conducted with the Mandated Interested Person pursuant to the Proposed IPT Mandate for the financial periods that we are required to report on pursuant to Rule 705 of the Catalist Rules within the time required for the announcement of such report.

Guidelines and Review Procedures for Mandated Transactions with the relevant Mandated Interested Persons

(a) *The provision of (i) in-house legal support services; (ii) software (SAP) IT support services; (iii) human resources and general administrative services; and (iv) trade credit insurance management services (the "**Shared Corporate Services**"), by the Mandated Interested Persons to the EAR Group*

In relation to the provision of the Shared Corporate Services by the Mandated Interested Persons to the EAR Group, the fees payable shall be the actual cost incurred by the Mandated Interested Persons in performing the scope of such services to the EAR Group, plus a pre-determined mark-up based on an annual independent benchmarking exercise to determine the reasonable arms' length range for the mark-up to allow the Mandated Interested Persons to comply with IRAS' guidelines on transfer pricing for the provision of services between related parties.

In the event that the Mandated Interested Persons obtain the services entirely from unrelated third parties and such services are shared with the EAR Group, the EAR Group will request for a copy of such contract from the Mandated Interested Persons to ensure that the Mandated Interested Persons are charging the EAR Group on a cost-recovery basis.

(b) *The borrowing of funds and obtaining of guarantees and other supporting security from the Mandated Interested Persons, including standby letters of credit and trust receipts*

In relation to the borrowing of funds and obtaining of guarantees from the Mandated Interested Persons by the EAR Group, the EAR Group will require that quotations shall be obtained from such Mandated Interested Person and at least two (2) banks for rates for loans of an equivalent amount, and for the equivalent period, of the funds to be borrowed. The EAR Group will only borrow funds from such Mandated Interested Person, provided that the terms quoted are no less favourable than those quoted by such banks, taking into account all relevant factors including availability of lenders, administrative fees payable and requisite security, guarantee or collateral to be provided.

In relation to other supporting security such as standby letters of credit and trust receipts that are obtained by Mandated Interested Persons from unrelated third-party banks or financial institutions, the EAR Group will request for a copy of such contract from the Mandated Interested Persons to ensure that the Mandated Interested Persons are charging the EAR Group on a cost-recovery basis.

(c) *The purchase by the EAR Group of IT products and computer peripherals from the Mandated Interested Persons*

In relation to certain IT products and computer peripherals that are distributed by the EAR Group, the Mandated Interested Persons purchase such IT products and computer peripherals from the Manufacturers, and the EAR Group would purchase such IT products and computer peripherals from Mandated Interested Persons in order to satisfy orders received from its customers. Given the high volume of transactions and wide range of products, it would be overly cumbersome for the EAR Group to obtain two (2) comparative quotes from unrelated third parties each time it purchases from the Mandated Interested Persons. Accordingly, all such purchases shall be undertaken based on the pricing notifications received by the Mandated Interested Persons from the Manufacturers. The EAR Group will request for a copy of all such pricing notifications to ensure that the Mandated Interested Persons are charging the EAR Group on a cost-recovery basis.

In relation to the EAR Group's purchase of AMD Products through the Mandated Interested Persons, the EAR Group purchases such products at the same prices as other local in-country resellers of AMD Products and the EAR Group will request for a copy of all such pricing notifications to ensure that the prices charged are the same as those charged to other local in-country resellers of AMD Products without any administrative fee charged.

(d) *The sale by the EAR Group of IT products and computer peripherals to the Mandated Interested Persons*

Prior to the sale of IT products and computer peripherals to Mandated Interested Persons, the price (or fee) and terms of at least two (2) other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as comparison wherever possible. While other factors will be taken into consideration, the Mandated Interested Persons shall generally be charged at rates consistent with the usual margins or prices (or fees) extended by the EAR Group to unrelated third parties.

There may be situations where competitive quotation or price comparisons may not be practicable or appropriate, such as: (i) where there are no independent third-party customers for similar products and services, taking into account factors such as quantity, specifications and delivery schedules; (ii) and where it is not practicable or appropriate to compare against the terms of other transactions or quotations with unrelated third parties or to obtain the price and terms of at least two (2) other transactions or in situations where the products may be sold only to a Mandated Interested Person. In determining whether the price and terms offered are fair and reasonable, the following pertinent factors (without limitation) will be taken into consideration:

(i) quantity;

(ii) delivery schedules;

(iii) specification compliance;

(iv) potential gross profit margins;

(v) payment and credit terms;

(vi) track record;

(vii) historical sale price set by the Group for such products;

(viii) availability of preferential rates (whether for bulk purchases or otherwise);

(ix) the cost of provision of such service and any applicable transfer pricing requirements guidelines issued by the relevant authorities; and/or

(x) gross profit margin test.

Approval Threshold for Mandated Transactions with Mandated Interested Persons

The approval threshold for the Mandated Transactions with the Mandated Interested Persons are as follows:

Value of Mandated Interested Person Transactions	**Approving authority who must have no interest, direct or indirect, in the Mandated Transactions**
All Mandated Transactions	The Financial Controller
Mandated Transaction above USD100,000	Additional approval from the Group General Manager
Mandated Transaction equal to or above 3.0% of the latest audited NTA of the Enlarged Group	Additional approval from the proposed New Audit and Risk Committee

Given the regular frequency of the Mandated Transactions, all Mandated Transactions will be tabled to the proposed New Audit and Risk Committee for review and endorsement on a quarterly basis or as and when the cumulative value of the Mandated Transactions during the quarter (excluding those which have already been reviewed and endorsed or approved by the proposed new Audit and Risk Committee) exceeds 3.0% of the latest audited NTA of the EAR Group.

The above approval thresholds are adopted after taking into account, among other things, the nature, volume, frequency and size of the transactions as well as the EAR Group's day-to-day operations, administration and businesses. The approval thresholds act as an additional safeguard to supplement the guidelines and review procedures to be implemented for the Mandated Transactions.

The proposed New Audit and Risk Committee may, as it deems fit, request for additional information pertaining to the transaction from independent sources or advisers. If a member of the proposed New Audit and Risk Committee has an interest, whether direct or indirect, in relation to that particular Mandated Transaction, he will, and will undertake to ensure that his associates will, abstain from any decision making in respect of that particular Mandated Transaction.

Additional Review Procedures for Mandated Transactions with Mandated Interested Persons

The Enlarged Group will also implement the following procedures for the record keeping of all Mandated Transactions with the Mandated Interested Persons:

(a) The Finance Department will generate a monthly report of the Mandated Transactions (the "**Mandated IPT Report**") for review by the Financial Controller. The Mandated IPT Report shall comprise all pertinent information relating to the Mandated Transactions undertaken during the reporting month, including but not limited to a listing of the Mandated Transactions with the relevant financial figures so that the Financial Controller can determine if the gross profit margin of the EAR Group was materially affected by such Mandated Transactions.

(b) The proposed New Audit and Risk Committee shall also review the monthly reports on a quarterly basis (or at such frequency as the New Audit and Risk Committee may deem necessary) to ascertain that the established guidelines and review procedures to monitor the Mandated Transactions have been complied with, and carried out on normal commercial terms. During such reviews, the proposed New Audit and Risk Committee may request for the relevant transactional documents as well as the corresponding supporting documents (such as the approval form for updating pricing notifications from or to the Mandated Interested Persons) or such other information deemed necessary by the proposed New Audit and Risk Committee. The proposed new Audit and Risk Committee may also request for additional information pertaining to the transactions from independent sources, advisers or valuers as it deems fit.

(c) The Company's internal auditors will, on an annual basis, conduct a review to ascertain that the guidelines and review procedures established for the Mandated Transactions have been adhered to. Any discrepancies or significant variances from the established guidelines and review procedures will be highlighted to the proposed New Audit and Risk Committee.

(d) If pursuant to the relevant reviews, the proposed New Audit and Risk Committee is of the view that the established guidelines and review procedures for the Mandated Transactions have become inappropriate or insufficient to ensure that the Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, in view of changes to the nature of, or the manner in which, the business activities of the Enlarged Group are conducted, the proposed New Audit and Risk Committee will take such actions as it deems appropriate and/or modify or implement additional methods and procedures as necessary, and where relevant, seek a fresh Shareholders' general mandate based on new guidelines and review procedures for the Mandated Transactions. The Interested Persons who have an interest in the Mandated Transactions and their associates will abstain from voting on such resolutions. The Interested Persons and their associates shall also not act as proxies in relation to such resolutions unless specific instructions as to voting have been given by the Shareholders. During the period prior to obtaining a fresh general mandate from Shareholders, all transactions with the Mandated Interested Person will be subject to prior review and approval by the proposed New Audit and Risk Committee.

(e) The proposed New Audit and Risk Committee and the Proposed New Board will also ensure that all disclosure, approval and other requirements on the Mandated Transactions, including those required by prevailing laws, rules and regulations, the Catalist Rules (in particular, Chapter 9 thereof) and relevant accounting standards are complied with. Pursuant to the Catalist Rules, we will make the required disclosure in relation to the Mandated Transactions in the annual report during the relevant financial year under review.

Opinion of the Independent Financial Adviser

W Capital Markets Pte. Ltd. has been appointed as the independent financial adviser to the Proposed Independent Directors pursuant to Rule 920(1)(b)(v) of the Catalist Rules, to opine whether the methods or procedures for determining the transaction prices of the Mandated Transactions, as set out above, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Having considered, among other things, (i) the guidelines and review procedures set up by the Company; (ii) the frequency of review by the Financial Controller, the proposed New Audit and Risk Committee and the internal auditors; (iii) the role of the proposed New Audit and Risk Committee in relation to the Proposed IPT Mandate; and (iv) the rationale for and benefits of the Proposed IPT Mandate, W Capital Markets Pte. Ltd. is of the opinion that the guidelines and review procedures for determining the prices of the Mandated Transactions, if adhered to strictly, are sufficient to ensure that the Mandated Transactions will be carried out on normal commercial terms, and will not be prejudicial to the interests of the Company and its minority Shareholders. Please refer to Appendix E, "*Letter from W Capital Markets Pte. Ltd. to the Independent Recommending Directors*" of the Circular for further details on their opinion.

New Audit and Risk Committee's statement

Having considered, among others, the rationale for and benefits of the Proposed IPT Mandate, the guidelines and review procedures for determining transaction prices of the Mandated Transactions, the approval thresholds, and together with the opinion of W Capital Markets Pte. Ltd., the proposed new Audit and Risk Committee is of the opinion that the guidelines and review procedures for determining the transaction prices of the Mandated Transactions, if adhered to strictly, are sufficient to ensure that the Mandated Transactions with the Mandated Interested Person will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

30. POTENTIAL CONFLICTS OF INTEREST

Save as disclosed below, none of the members of the Proposed New Board or Controlling Shareholder of the Company and/or their respective associates has an interest, directly or indirectly in:

(a) any material transaction to which any company in the Enlarged Group was or is to be a party (save for the Interested Persons Transactions set out in the section titled "*Interested Person Transactions*" of this Target Group's Letter to Shareholders);

(b) any entity carrying on the same business or dealing in similar services which competes materially and directly with the business of the Enlarged Group; and

(c) any entity that is a customer or supplier of goods or services to the Enlarged Group.

30.1 Thai IT Consumer Business

The Target Company's Controlling Shareholder, Serial System, has two (2) main business segments, its electronics components distribution segment and its consumer distribution operating segment.

Under its electronics components distribution segment, Serial System distributes electronic components including mainly integrated circuits, resistors, connectors, switches, wires and cables and relays, which are used in the manufacturing of finished products such as mobile phones and related accessories, personal computers, household appliances, security and surveillance equipment and industrial equipment.

Under its consumer distribution operating segment (which will be renamed to Print Services after Completion), Serial System provides managed print services (including supply of printers, toners and papers) and distributes printer accessories (including primarily ink and toner cartridges), among others. In addition, Serial System distributes IT computer peripherals, parts and related products to IT retailers and system integrators in Malaysia and Thailand through the Target Company and the Existing Thai Company.

On Completion, the Target Company will become a wholly-owned subsidiary of the Company.

The Existing Thai Company is a company incorporated in Thailand that has two (2) businesses as at the Latest Practicable Date: (i) the provision of managed print services in Thailand; and (ii) operations in the Thai IT Consumer Business, being the business of distributing computer peripherals, parts and related products to IT retailers and system integrators in Thailand. The Serial System Group has a 49.0% interest in the Existing Thai Company. Of the remaining 51.0%, 50.99% is held by Mr Natthawat's mother and 0.01% is held by a staff of the Existing Thai Company. Save as disclosed herein, Mr Natthawat has no other relationship with Serial System, Serial System's subsidiaries or Serial System's directors. The Existing Thai Company's operations in the Thai IT Consumer Business was established in April 2022.

In accordance with the provisions of the SPA and the Implementation Agreement, the Target Thai Company was incorporated on 22 May 2023. As at the Latest Practicable Date, the Target Thai Company is owned as to 49.0% by the Vendor and 51.0% by Mr Natthawat, a party that is unrelated to the Company, its subsidiaries, its Directors or substantial shareholder, the Target Group, or Target Group Directors. The Target Thai Company will be a dormant company as at the date of this Circular. Mr Natthawat was in charge of the day-to-day operations of the Existing Thai Company and will, upon Completion, resign from the board of directors of the Existing Thai Company and become the General Manager (Thailand) of the Target Thai Company.

Implementation Agreement

In order to address the potential conflicts of interest arising from Serial System's operations in the Thai IT Consumer Business, and as the Thai IT Consumer Business is relatively asset-light (save for inventory), the Company, the Vendor, the Existing Thai Company and Mr Natthawat have entered into the Implementation Agreement, under which the parties have agreed that, with effect from Completion:

(a) all twenty-eight (28) employees of the Existing Thai Company that are involved in the Existing Thai Company's operations in the Thai IT Consumer Business will be employed by the Target Thai Company with effect from Completion on terms no less favourable than their existing terms offered by the Existing Thai Company and the duration of such employees' employment with the Existing Thai Company shall be counted as a period of employment with the Target Thai Company under such terms of employment with the Target Thai Company. Please refer to the section titled "*Employees*" of this Target Group's Letter to Shareholders for a breakdown of the number of full-time employees that the Target Thai Company will employ upon Completion;

(b) the Target Thai Company will enter into the MSI Novation Agreement, which will have the effect of substituting the Existing Thai Company with the Target Thai Company under the existing distribution agreement between MSI and the Existing Thai Company dated 1 January 2023. Pursuant to the MSI Novation Agreement, the Target Thai Company will, with effect from Completion, become the non-exclusive distributor of motherboards, VGA cards, chassis, PSUs, liquid coolers, chairs and other IT products and peripherals manufactured under the "MSI" brand in Thailand. The Target Thai Company will purchase such products directly from MSI;

(c) the Existing Thai Company will do all such things to assist the Target Thai Company's appointment as an authorised local in-country reseller and distributor for IT products and computer peripherals manufactured by AMD, Gigabyte and Apacer. As at the Latest Practicable Date, the Existing Thai Company has obtained confirmations from AMD, for the appointment of Target Thai Company as an authorised local in-country reseller, and from Gigabyte and Apacer, for the appointment of the Target Thai Company as a distributor in Thailand, with effect from Completion;

(d) the Target Thai Company Lease Agreement will become effective. The Target Thai Company Lease Agreement is a lease agreement entered into between the Target Thai Company and Mr Natthawat to occupy the entire first floor of the property at 4/1 Sukonthasawas Road, Ladphrao, Ladphrao, Bangkok 10230, Thailand for a three (3)-year term;

(e) given that the Thai IT Consumer Business is trading in nature and as such is not asset intensive, no assets or liabilities will be transferred from the Existing Thai Company to the Target Thai Company on Completion (save as contemplated under the transitional arrangements);

(f) the Target Thai Company will commence the operations in the Thai IT Consumer Business and the Existing Thai Company will cease operations in the Thai IT Consumer Business. During the three (3)-month interim period following Completion, the Target Thai Company will continue to purchase Non-AMD Products through SIFE and SMPL at cost and no administrative fee will be charged. Such transactions will be subject to the requirements under Chapter 9 of the Catalist rules and the guidelines and procedures highlighted in the IPT Mandate set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders. The Target Thai Company intends to purchase its Non-AMD Products directly from the Manufacturers after the end of this three (3)-month interim period. In relation to AMD Products, the Target Thai Company will purchase AMD Products from SMPL as the regional distributor of AMD Products. The terms of the purchases of AMD Products will be subject to the review procedures under the Proposed IPT Mandate as set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders;

(g) in addition, in order to deplete the Existing Thai Company's inventory, the following transitional arrangements will apply for a one (1)-year period commencing on the day after Completion which the Company views as being a sufficiently long period of time for the depletion of the Existing Thai Company's inventory (the "**Transition Period**"):

On or prior to Completion

(1) one (1) month prior to Completion, the Target Thai Company will be permitted to commence the ordering of IT products and computer peripherals as inventory through SMPL and SIFE, and the Existing Thai Company shall do all things and execute and sign all such documents and instruments as may be necessary, desirable or expedient to enable the Target Thai Company to commence the ordering of such inventory;

(2) in relation to the accounts receivable standing to the account of the Existing Thai Company on Completion for orders received on or prior to Completion, the Existing Thai Company shall be permitted to collect such accounts receivables during the Transition Period;

(3) in relation to orders received on or prior to Completion, the Existing Thai Company shall be permitted to fulfil all such orders, including purchasing IT products and computer peripherals from its suppliers and selling such products to its customers, provided that all such orders shall be fulfilled prior to the expiration of the Transition Period;

During the Transition Period

(4) During the Transition Period, in relation to orders received by the Target Thai Company, while the Target Thai Company will endeavour to purchase the inventory required to fulfil such orders from its suppliers (which may include purchases from SMPL and/or SIFE in the event such orders are received during the three (3)-month interim period following Completion) in the event the Target Thai Company is unable to do so for whatever reason or the Existing Thai Company has inventory that would enable the Target Thai Company to fulfil such orders, the Target Thai Company will have the right to purchase such inventory from the Existing Thai Company at book value for the purposes of fulfilling such orders; and

(5) the Target Thai Company will provide management and other transitional services to the Existing Thai Company at no cost to the Existing Thai Company in order to facilitate the transitional arrangements;

(h) the Target Thai Company SHA entered into between Mr Natthawat and the Company will take effect. The salient terms of the Target Thai Company SHA are set out below;

(i) the Target Thai Company will enter into the Target Thai Company Service Agreement, being a service agreement with Mr Natthawat as General Manager (Thailand) of the Target Thai Company on terms no less favourable than the terms offered by Existing Thai Company, which will be effective on Completion. The salient terms of the Target Thai Company Service Agreement are set out below;

(j) the Existing Thai Company will procure the transfer or assignment of all of its existing fire insurance policy, burglary and theft insurance, public liability insurance and its insurance for employees to the Target Thai Company with effect from Completion;

(k) the Vendor will transfer its shareholding interest in the Target Thai Company to the Company with the effect that the Target Thai Company will become a 49.0% subsidiary of the Company; and

(l) Serial System will effect a change of name of the Existing Thai Company to "Print IQ MPS Co., Ltd" and the Existing Thai Company will cease to be in the Thai IT Consumer Business.

The New Audit and Risk Committee shall be responsible for overseeing the respective parties' compliance with the terms of the Implementation Agreement. Please refer to section titled "*Corporate Governance – New Audit and Risk Committee*" of this Target Group's Letter to Shareholders for more details.

Target Thai Company SHA

The Target Thai Company SHA was entered into between the Company, Mr Natthawat and the Target Thai Company on 27 December 2023.

Under the terms of the Target Thai Company SHA:

(a) the Company shall be entitled to appoint two (2) directors, and Mr Natthawat shall be entitled to appoint one (1) director, to the board of directors of the Target Thai Company, and all business arising out of any meeting of the board of directors shall be decided by a majority of votes. For the avoidance of doubt (i) Mr Natthawat's right to appoint a director is enshrined in the Target Thai Company SHA and is not contingent upon his employment with the Target Thai Company; and (ii) in the event of a cessation of Mr Natthawat's employment with the Target Thai Company, unless the Target Thai Company SHA is terminated, Mr Natthawat would continue to be entitled to appoint one (1) director and will continue to be a 51.0% shareholder of the Target Thai Company. In such an event, there is no obligation on Mr Natthawat's part under the Target Thai Company SHA to transfer his shareholding in the Target Thai Company to the Company;

(b) no action shall be taken or resolution passed by the board of directors in connection with certain reserved matters except with the consent of the director nominated by the Company. Such reserved matters include (i) any change in the share capital of the Target Thai Company; (ii) any change in the constitution of the Target Thai Company; (iii) the declaration or payment of any dividends; (iv) matters relating to the remuneration or benefits of directors or shareholders, their family members or related parties; (v) the taking out or giving of loans with principal amount exceeding USD50,000. The Company has nominated Mr Kenny Sim and Mr Jason Soh as directors of the Target Thai Company;

(c) no business shall be transacted at any general meeting of the Target Thai Company unless a quorum is present, which requires the presence (by proxy or by representative) of any two (2) shareholders of the Target Thai Company. In the event a quorum is not present within half an hour from the meeting, the meeting shall be adjourned to the same day in the next week at the same time and place. At such adjourned meeting, if a quorum is not present, the shareholder(s) present shall form the necessary quorum;

(d) none of the shareholders are permitted to transfer or otherwise dispose of or create any interest in any shares in the Target Thai Company without the prior approval of all the other shareholders. In addition, each shareholder enjoys a right of refusal for any transfer of shares in the Target Thai Company;

(e) certain events unless waived by the other shareholders, including (i) default by a shareholder in carrying out its obligations under the Target Thai Company SHA in any material respect and failing to rectify such default within thirty (30) days of receipt of notice from another shareholder requiring such rectification; (ii) a shareholder being found guilty of a criminal offence, and is sentenced to more than one (1) month of imprisonment; or (iii) a shareholder being a company has a liquidator or provisional liquidator or receiver or receiver/manager or official manager or agent for a mortgagee in possession appointed in relation to its affairs or any or all of its assets, shall constitute an event of default. In such an event, the defaulting shareholder is deemed to have irrevocably offered to sell all the shares in the Target Thai Company held by the defaulting shareholder to the non-defaulting shareholder at a price that is the higher of (a) a 20% premium of the net tangible assets of the Target Thai Company attributable to such shares; or (b) the fair value of such shares as determined by the auditors of the Company; and

(f) Mr Natthawat irrevocably and unconditionally agrees and undertakes that for so long as he holds any shares and for a period of three (3) years thereafter he will not, among others, (i) be employed, engaged or interested in any business within Thailand that is in competition (whether directly or indirectly) with the business and/or any other business carried out by the Target Thai Company from time to time; (ii) solicit in competition with the Target Thai Company any person, firm or company who is or who was a customer of the Target Thai Company; and (iii) induce any director(s) or employee(s) of the Target Thai Company to terminate such person's directorship or to leave the employment of the Target Thai Company.

On the basis that the Company would control the board of directors, the Target Group would have effective control over the Target Thai Company.

In the event Mr Natthawat intends to transfer his shares in the Target Thai Company such that he ceases to be the majority owner of the Target Thai Company, Mr Natthawat will be bound by the right of first refusal provisions under the Target Thai Company SHA, which provides that in the event Mr Natthawat intends to transfer his shares in the Target Thai Company, Mr Natthawat must first offer to sell such shares in the Target Thai Company to the Company by written notice which shall set out, among others, the name of the proposed third-party transferee (who must be a Thai national) and the price at which Mr Natthawat intends to sell such shares. The Company will have 90 days period or such extended period to be mutually agreed upon by the parties ("**Notice Period**") to consider whether or not such offer should be accepted. During this Notice Period, the

Company may seek to identify a new local joint venture partner to replace Mr Natthawat as the Target Thai Company's local joint venture partner in Thailand. The Company views the Notice Period as being sufficient in this regard, after considering (i) the extent of the Target Company's existing business contacts in Thailand; (ii) the time required to negotiate commercial terms and enter into binding transfer agreements; (iii) the time required to effect a transfer of shares in Thailand.

In the event the Company does not exercise such right of first refusal, Mr Natthawat would only be permitted to transfer his shares to a Thai national at the price notified to the Company. It is a condition of such transfer that such Thai national must have first executed and delivered to the Target Thai Company a deed of adherence as set out in the Target Thai Company SHA, except where the Company and Mr Natthawat have given their prior written consent.

In the alternative, the Company may also concurrently make an application to obtain a foreign business license under the Foreign Business Act B.E. 2542 (1999) during this Notice Period, which would exempt the Target Thai Company from having to have a local Thai partner. The Company's legal adviser as to Thai laws has advised that the granting of such foreign business license is under the absolute discretion of the Ministry of Commerce, and subject to national policy at the time of application. In this regard, certain criteria will be taken into consideration when such decision is being made, including whether Thai nationals are able to conduct such business as well as the competitiveness, impact of such investment to the economy and social development in Thailand, ability to employ Thai employees and knowhow and expertise contribution to the business in Thailand. Please refer to the section titled "*Risk Factors – the Target Group will be reliant on its joint venture partner in relation to its operations in Thailand*" of the Circular for more information.

Target Thai Company Service Agreement

The Target Thai Company had, on 27 December 2023 entered into the Target Thai Company Service Agreement with Mr Natthawat, who will be employed for an initial period of three (3) years with effect from Completion.

The Target Thai Company Service Agreement may be terminated by either the Appointee or the Target Thai Company giving not less than three (3) months' notice in writing to the other, provided that during the initial period of three (3) years, the Appointee shall not be entitled to terminate the Target Thai Company Service Agreement without the prior consent of the Proposed New Board.

The Company may also terminate the Target Thai Company Service Agreement at any time upon the occurrence of certain events such as if the Appointee commits any serious or repeated breach of any of its provisions, is guilty of fraud, dishonesty, serious misconduct or serious negligence, or becomes prohibited by law or a regulatory body from taking up the post of a director of any company.

Pursuant to the terms of the Target Thai Company Service Agreement, the Appointee is entitled to:

(a) an annual salary of THB 1,200,000, which shall comprise a monthly salary of THB 100,000 (less any legally required withholdings, taxes or contributions, but inclusive of any mandatory co-savings or pension contributions, if applicable); and

(b) an annual wage supplement equivalent to one (1) month's salary which is payable within sixty (60) days from the end of each financial year.

Under the Target Thai Company Service Agreement, the Appointee is subject to a non-compete and non-solicitation clause which states that as follows:

"The Appointee agrees with and undertakes to the Target Thai Company that whether or not his employment with the Target Thai Company has been terminated by the Target Thai Company or otherwise, he shall not at any time during the period of his employment with the Target Thai Company and for a period of twelve (12) months thereafter, and shall procure that his and/or her associates do not, for as long as he and/or his associates (whether present or future) are directors, controlling shareholders and/or executive officers of the Company:

(a) in any capacity, be engaged in or interested in or carry on any business which will compete with the Business (as defined below);

(b) have any interest in any person or entity who carries on, and/or provide any financial assistance to any person or entity to carry on any business or other activity which competes with the Business, save that the Appointee is permitted, and together with their respective associates are permitted, to have an interest in the Excluded Companies (as defined below);

(c) be involved in any decision making in any entity that will put the Appointee in a conflict of interest position with respect to his duties and responsibilities (where applicable) in the Target Thai Company;

(d) whether on his own account or for any other person, solicit or entice away, or attempt to solicit or entice away from the Target Thai Company, any person who is an officer, manager or employee of the Target Thai Company, whether or not such person would commit a breach of his contract of employment with the Target Thai Company by reason of leaving such employment;

(e) interfere or seek to interfere with or make arrangements which have the effect of harming contractual or other trade relations between the Target Thai Company and any of its suppliers, customers, contractors, sub-contractors, agents or business partners;

(f) solicit, market to or entice away any customers or supplier from the Target Thai Company to cease doing or reduce the amount of business with the Target Thai Company;

(g) be a director and/or holder of an executive management position and/or commissioner (where applicable) of any entity in any business which will compete with the Business; and

(h) use any intellectual property rights of the Target Thai Company in connection with any business,

with the intent that each of these restrictions shall constitute an entirely separate and independent restriction on the Appointee".

For the purpose of the aforementioned non-competition and non-solicitation clause in the Target Thai Company Service Agreement, the following definitions apply:

"**Business**" means the business of the Target Thai Company.

"**Excluded Companies**" means any corporation listed on a recognized stock exchange in which the Appointee and/or his associates collectively does not:

(a) hold 5.0% or more of the total votes attached to all voting shares or total issued securities in that class for that time;

(b) have board representation on the board of directors of that corporation;

(c) have management control in that corporation; and/or

(d) have any involvement in the day-to-day operations and/or management of that corporation.

30.2 Serial System and its subsidiaries

Serial System Group

As at the Latest Practicable Date, the Target Company is a wholly-owned subsidiary of SIFE, which is in turn a wholly-owned subsidiary of the Serial System Group. The Target Thai Company was incorporated in Thailand on 22 May 2023 as a private company limited by shares and will be a dormant company up until Completion. The Target Company is owned as to 49.0% by SIFE and 51.0% by Mr Natthawat. Immediately after the completion of the Proposed Share Consolidation, the Proposed Share Issuance Transactions and the completion of the Proposed Compliance Placement, Serial System will hold approximately 73.3% of the Enlarged Share Capital, and (i) the Target Company will be a wholly-owned subsidiary of the Company; and (ii) the Company will acquire a 49.0% shareholding interest in the Target Thai Company.

By virtue of it being a Malaysia-incorporated subsidiary of the Serial System Group, the Target Company has been recognised as an authorised distributor in Malaysia by the Manufacturers and has been listed by such Manufacturers as an authorised distributor on their respective websites. In relation to AMD Products, SMPL, the wholly-owned subsidiary of Serial System, has been appointed as one of the regional distributors of AMD Products in certain countries in Southeast Asia (including Indonesia, Singapore, Thailand and Vietnam) and Japan, and the Target Company has been authorised by AMD to act as a local in-country reseller for Malaysia. In relation to Non-AMD Products, historically, the Target Company purchased such products through SMPL and SIFE as intermediaries. The Target Group has engaged with the Manufacturers of the Non-AMD Products and expects to be able to purchase all of its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion. Please refer to the section titled "*Business Overview – Procurement of IT products and computer peripherals*" of this Target Group's Letter to Shareholders for more information.

In addition, SerialTec (together with SMPL and SIFE, the "**Relevant Serial Entities**") holds the distribution rights for desktop CPUs manufactured by AMD in Japan and accordingly, SerialTec is authorised to sell AMD Products to authorised local in-country resellers in Japan.

Save for the Relevant Serial Entities, no other entity within the Serial System Group is in the business of distributing IT products and computer peripherals, whether as a regional distributor selling such products to local in-country resellers, or as a local in-country reseller, selling such products directly to local IT retailers and system integrators.

Exclusion of the Relevant Serial Entities from the Target Group

The Relevant Serial Entities were not included as part of the Target Group as the business and operations of the Relevant Serial Entities are fundamentally different to that of the Target Group. On one hand, the Target Company maintains, and the Target Thai Company will, upon Completion, maintain, distribution operations in Malaysia and Thailand respectively, focusing on the sale of IT products and peripherals to local IT retail stores and system integrators. This includes (i) their own teams of sales representatives; (ii) product managers for engagement with the Manufacturers; and (iii) logistics teams, each located in Malaysia and Thailand respectively. The Target Company operates, and, upon Completion, the Target Thai Company will operate, within the same position in the distribution value chain.

On the other hand, SMPL and SIFE do not have any distribution operations in Malaysia or Thailand. For AMD Products, SMPL is a regional distributor and sells AMD Products to the Target Company in Malaysia, and other local in-country resellers in Malaysia and in certain markets in Southeast Asia (including Indonesia, Singapore, Thailand and Vietnam) and Japan, i.e. it occupies a different position in the distribution value chain as compared to the Target Group. Therefore, unlike the Target Group, SMPL does not operate any distribution operations for AMD Products in Malaysia or Thailand and does not sell IT products and peripherals to IT retail stores and system integrators in Malaysia or Thailand. In relation to Non-AMD Products, the Target Group has engaged with the Manufacturers of the Non-AMD Products and expects to be able to purchase all of its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion.

The businesses of the Relevant Serial Entities

SerialTec is the indirect wholly-owned subsidiary of Serial System. SerialTec is the master distributor of AMD Products in Japan and sells AMD Products to local in-country resellers in Japan authorised by AMD. The Target Group has not been appointed by AMD as a local in-country reseller in Japan.

SMPL is the wholly-owned subsidiary of Serial System. The core business of SMPL is in the distribution of electronic components including integrated circuits, resistors, connectors, switches, wires and cables and relays from suppliers like ON Semiconductor, OSRAMS Opto Semiconductors, TE Connectivity, Micron, Allegro Microsystems, Gigadevice, Littelfuse and Molex which are used in the manufacturing of finished products such as mobile phones and related accessories, personal computers, household appliances, security and surveillance equipment and industrial equipment. Due to the wide variety of the finished products that can be manufactured using the electronic components distributed by SMPL, the customer base of SMPL spans a diverse range of industries such as consumer electronics, telecommunications, household appliances, industrial, electronics manufacturing services, security surveillance, automotive and medical products manufacturers which are different from the customer base of the Target Group. In addition, SMPL is the regional distributor for AMD Products for certain markets in Southeast Asia (including Indonesia, Singapore, Thailand and Vietnam) and Japan. SMPL conducts its business through its subsidiaries in mainly Singapore, China, Hong Kong, Taiwan, South Korea, India and Malaysia.

SIFE is the indirect wholly-owned subsidiary of Serial System. SIFE is the existing investment holding company of the Target Company. In addition to the Target Company, SIFE has one (1) other wholly-owned subsidiary, Inkcarts Pte. Ltd., which is a dormant company. When the Target Group eventually purchases Non-AMD Products directly from the Manufacturers, SIFE will no longer have any other principal business activities.

Sale of AMD Products by SMPL

As the regional distributor of AMD Products in Southeast Asia (including Indonesia, Singapore, Thailand and Vietnam) and Japan, SMPL only sells AMD Products to the Target Company and other local in-country resellers authorised by AMD in Malaysia, and the Existing Thai Company and other local in-country resellers authorised by AMD in Thailand. All local in-country resellers in these countries (including the Target Company and the Existing Thai Company) are appointed by AMD (instead of SMPL), and SMPL is only permitted to sell the AMD Products to the designated local in-country resellers.

As authorised local in-country resellers appointed by AMD, the Target Company, the Existing Thai Company and all other authorised local in-country resellers are only permitted to sell AMD Products to local retailers and system integrators in the countries that are authorised by AMD and based on terms approved by AMD, and SMPL is not permitted to sell AMD Products to the Target Group's customers.

As such, there is no potential competition between SMPL's business and the Target Group's business with respect to the sale of AMD Products. Following Completion, the Enlarged Group intends to continue purchasing AMD Products from SMPL. Such transactions will be subject to the requirements under Chapter 9 of the Catalist Rules and the guidelines and the procedures highlighted in the IPT Mandate set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders.

Sale of Non-AMD Products by SMPL and SIFE

In relation to Non-AMD Products, while SIFE and SMPL have entered into distribution agreements with certain Manufacturers which entitles them to purchase such Non-AMD Products directly from the Manufacturers, neither SIFE nor SMPL operates any distribution operations for Non-AMD Products in any country (including Malaysia and Thailand). SIFE and SMPL also do not sell the Non-AMD Products to any other parties. Instead, the distribution of such Non-AMD Products

is carried out by the Target Company in Malaysia, and, upon Completion, will be carried out by the Target Thai Company in Thailand. In addition, SMPL and SIFE do not participate in any of the day-to-day communications on pricing, products, sales strategies and sales targets with the Manufacturers which are solely managed by the sales and marketing team of the Target Company.

It is expected that the Target Group will be able to purchase all of its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion. In order to facilitate such transition, during this three (3)-month interim period, the Target Company intends to continue purchasing IT products and computer peripherals through SIFE and SMPL at cost. At the end of the three (3)-month interim period, SMPL will continue to operate its existing business of the distribution of electronic and electrical components and the distribution of AMD Products as a regional distributor and SIFE will continue to operate its existing business unrelated to the Target Group (including the distribution of printing related products).

Notwithstanding the above, in the event that any of the Manufacturers ceases to sell its IT products and computer peripherals to the Target Group, the Target Group has, by virtue of the range of products offered, the ability to offer its customers comparable substitutes, and, as such, such cessation is not likely to have a material impact on the Target Group's operation and/or financials. For example, the Target Group carries two (2) brands of CPUs (being AMD and Intel), LCD monitors (being ViewSonic and Philips), RAM modules (Apacer and Dynabook) and three (3) brands of motherboards and VGA cards (MSI, Gigabyte and ASRock). In addition, the Target Group would be able to source for other suppliers as a substitute or alternative brands for each product category.

Sale of Non-AMD Products by SerialTec

During the Period Under Review, in addition to SerialTec's distribution of AMD Products, SerialTec had distributed Non-AMD Products in Japan mainly to fulfil orders from customers in FY2022 and up to the Latest Practicable Date.

On Completion, the Enlarged Group will not have any operations in Japan. However, in order to resolve any potential conflicts of interest that may arise in the future should the Enlarged Group elect to commence operations in Japan, SerialTec has as at the Latest Practicable Date and pursuant to the Serial System Non-Compete Undertaking, ceased purchasing Non-AMD Products and will not put in any new orders for Non-AMD Products.

In relation to its existing inventory of Non-AMD Products, SerialTec will be permitted to sell off such inventory to customers in Japan. As at the Latest Practicable Date, the value of such inventory is approximately USD1.0 million. Under the terms of the Serial System Deed of Undertaking, Serial System has undertaken to procure that SerialTec sell off such inventory within six (6) months following Completion.

As the Target Group does not operate in Japan, prior to completion, SerialTec's distribution of Non-AMD products in Japan did not compete with the Target Group's business, which is located in Malaysia and Thailand. Notwithstanding this, following the completion by SerialTec of its sell down of its existing inventory of Non-AMD Products, none of the entities within the Serial System Group would operate in a similar business as the Enlarged Group whether in Malaysia, Thailand, Japan or elsewhere.

The Proposed New Board is of the view that the risk of any conflicts of interests arising from the Relevant Serial Entities are addressed and/or mitigated by the following:

(a) none of the Relevant Serial Entities sells IT products and computer peripherals to the Target Group's customers, being IT retail stores and system integrators, whether in Malaysia or Thailand or elsewhere;

(b) in relation to the AMD Products, the Relevant Serial Entities do not share the same customers as the Target Company and the Target Thai Company. SMPL's customers are companies that are approved and appointed by AMD as local in-country resellers, including the Target Company and the Target Thai Company, and SerialTec's customers are local in-country resellers approved by AMD that are located in Japan. On the other hand, in relation to the AMD Products, the Target Company's and the Target Thai Company's customers are IT retailers and system integrators in Malaysia and Thailand respectively;

(c) in relation to the Non-AMD Products, as the Target Company did not have any direct contractual arrangements with such Manufacturers during the time it was a member of the Serial System Group notwithstanding that it had been recognised by the Manufacturers as an authorised distributor, in connection with the Proposed Transactions and the intention to reduce reliance on the Serial System Group, the Target Company had engaged with its Manufacturers and, in view of the Target Company's track record, has entered into distribution agreements with MMD, Dynabook and MSI in the first quarter of FY2023. As at the date of this Circular, the Target Company has commenced purchasing the IT products and peripherals manufactured by MMD, Dynabook and MSI directly from the Manufacturers pursuant to such distribution agreements.

In relation to its other Non-AMD Manufacturers, as at the Latest Practicable Date, the Target Group is in discussions with such Manufacturers in order for the Target Group to purchase its Non-AMD Products directly from the Manufacturers instead of through SIFE and SMPL. The Target Group expects to be able to purchase all of its Non-AMD Products directly from the Manufacturers no later than three (3) months following Completion. In order to facilitate such transition, during this three (3)-month interim period following Completion, the Target Company intends to continue purchasing IT products and computer peripherals through SIFE and SMPL at cost and subject to the terms of the review procedures under the Proposed IPT Mandate as set out in the section titled "*Interested Person Transactions – General Mandate for Interested Person Transactions*" of this Target Group's Letter to Shareholders. Following the expiration of such three (3)-month period, the Target Group will purchase all Non-AMD Products directly from the Manufacturers.

Neither Serial System nor the Target Company sells any IT products and peripherals directly to consumer on any e-commerce platforms;

(d) Serial System has provided a non-compete undertaking in relation to the IT products and computer peripherals business of the Target Company and Target Thai Company. Further details are set out in section titled "*Potential Conflicts of Interest – Mitigation of Potential Conflicts of Interest – Serial System Non-Compete Undertaking"* of this Target Group's Letter to Shareholders. Consequently, the sale by Serial System Group of IT products and computer peripherals to IT retailers and system integrators in Malaysia or Thailand or any other country in which the Enlarged Group has operations from time to time would be a breach of such undertaking. For the avoidance of doubt, as at the Latest Practicable Date, none of the Relevant Serial Entities sells IT products and computer peripherals to IT retailers and system integrators, whether in Malaysia, Thailand or elsewhere;

(e) the Target Group is managed independently from the Relevant Serial Entities, with separate management teams and none of the employees of any of the Relevant Serial Entities are or will be employees of the Enlarged Group; and

(f) the proposed New Audit and Risk Committee will be required to review and approve transactions falling within the scope of Chapter 9 of the Catalist Rules and to review any potential conflicts of interests and set out a framework to resolve or mitigate any potential conflict of interest as well as to monitor compliance within such framework.

In addition, W Capital Markets Pte. Ltd. has been appointed as the independent financial adviser to the Proposed Independent Directors pursuant to Rule 920(1)(b)(v) of the Catalist Rules, to opine on whether the methods or procedures for determining the transaction prices of the Mandated Transactions (including those as set out in the foregoing paragraph), are sufficient to ensure that such transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. Please refer to the section titled "*Interested Person Transactions – Opinion of the Independent Financial Adviser*" of this Target Group's Letter to Shareholders for further details on their opinion.

In view of the foregoing and the Serial System Non-Compete Undertaking (as described below), the Proposed New Board is of the view that the Target Group complies with Part VIII of Chapter 4 of the Catalist Rules.

Involvement of Serial System in the management of the Enlarged Group post Completion

Upon Completion, Serial System would not have any involvement in the day-to-day decision-making process of the Enlarged Group (including the Target Company). The Enlarged Group will be managed by a separate management team led by the Proposed Executive Director and CEO, My Kenny Sim, who will be supported by Mr Jason Soh, the proposed General Manager and Mr Natthawat, the proposed General Manager (Thailand). The proposed Financial Controller, Ms Ellen Yap, will be principally in charge of the finance function of the Enlarged Group. The management team will report directly to the Proposed New Board as a whole, which will comprise seven (7) Directors, of which four (4) will be Independent Directors. Please refer to the section titled "*Proposed New Board and Proposed New Executive Officers*" for more information.

The nomination of Directors and the composition of the various board committees will be overseen by the New Nominating Committee. The New Nominating Committee will be entirely made up of Independent Directors, being Mr Jason Su, Mr Kenny Yap Kim Lee and Mr Tan Thiam Hee, and will be responsible for, among others, developing and maintaining a formal and transparent process for the selection, appointment and re-appointment of Directors and ensuring that the composition of the Board and its various committees comply with the requirements of the Code of Corporate Governance 2018. Please refer to the section titled "*Corporate Governance – New Nominating Committee*" of this Target Group's Letter to Shareholders for more information.

30.3 Mitigation of Potential Conflicts of Interest – Serial System Non-Compete Undertaking

Pursuant to a deed of undertaking executed by Serial System on 27 December 2023 (the "**Serial System Non-Compete Undertaking**"), Serial System has irrevocably and unconditionally confirmed and undertaken to the Company that for the duration of the Non-Competition Deed Period (as defined below), it shall not, and shall procure that its associates shall not:

(a) in any capacity, be engaged in, concerned or interested in or carry on any business which will compete (whether directly or indirectly) with or is similar to the Business (as defined below), save for (i) any interest in any securities which are listed on any securities exchange which does not exceed 5.0% of the aggregate voting rights of such securities; and (ii) save for SerialTec's sell down of its existing inventory;

(b) have any interest, directly or indirectly, in any person or entity who carries on, and/or provide any assistance in any way (including but not limited to managing, providing technical or other advice, financial assistance or otherwise) to any person or entity to carry on any business or other activity which competes with or is similar to the Business of the Enlarged Group, save for any interest in any securities which are listed on any securities exchange which does not exceed 5.0% of the aggregate voting rights of such securities;

(c) whether directly or indirectly, solicit or entice away, or attempt to solicit or entice away from the Enlarged Group, any person who is an officer, manager or employee of the Enlarged Group, whether or not such person would commit a breach of his contract of employment with the Group by reason of leaving such employment;

(d) whether directly or indirectly, interfere or seek to interfere with or make arrangements which have the effect of harming contractual or other trade relations between the Enlarged Group and any of the Enlarged Group's suppliers, customers, clients, agents or correspondents, which will cause, or is likely to cause, such supplier, customer, client, agent or correspondent to cease or reduce the amount of business conducted with the Enlarged Group;

(e) whether directly or indirectly, share resources (including employees', customers' and suppliers' information), marketing campaigns, trade secrets, operational premises and facilities with any person, company or entity engaged which will compete (whether directly or indirectly) with the Business (as defined below);

(f) share any confidential information in relation to the Business with any person or entity outside the Enlarged Group; and

(g) use any trade mark of the Enlarged Group in connection with any business.

For the purposes of this paragraph:

"**Business**" means the business of the Enlarged Group from time to time, which at the time of the Serial System Non-Compete Undertaking, includes acting as local in-country resellers of consumer and enterprise IT products and computer peripherals in Malaysia and Thailand; and

"**Non-Competition Deed Period**" means for the period commencing on the Completion Date and ending upon the earlier of the date on which the Company ceases to be listed on the SGX-ST.

31. GENERAL AND STATUTORY INFORMATION

31.1 Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Target Group within the two (2) years preceding the date of lodgement of the Circular and is or may be material:

(a) the Implementation Agreement;

(b) the distribution agreements described in the section titled "Procurement of IT products and computer peripherals" of the Target Group's Letter to Shareholders;

(c) the Target Thai Company Lease Agreement;

(d) the Target Thai Company SHA;

(e) the Service Agreement;

(f) the Target Thai Company Service Agreement; and

(g) the shared services agreement entered into between Serial System, the Target Company and the Target Thai Company.

31.2 Material Litigation

The Target Company was not engaged in any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the last twelve (12) months before the date of the lodgement of the Circular, a material effect on the financial position or profitability of the Enlarged Group.

31.3 Miscellaneous

Save as disclosed in this Target Group's Letter to Shareholders, the Proposed New Board is not aware of any relevant event which has occurred since 1 January 2023 up to the Latest Practicable Date which may have a material effect on the financial position and results of the Enlarged Group or the financial information provided in the Circular or Target's Letter to Shareholders.

The contact details of the Target Group are set out below:

Address of registered office	:	10th Floor, Menara Hap Seng, No.1 & 3 Jalan P.Ramlee, 50250 Kuala Lumpur, Wilayah Persekutuan, Malaysia
Telephone number	:	+60 3 7955 1768
Email address	:	general@achieva.my

ACHIEVA TECHNOLOGY SDN. BHD.

(Incorporated in Malaysia)

AND ITS SUBSIDIARY

INDEPENDENT AUDITORS' REPORT AND AUDITED FINANCIAL STATEMENTS

31 DECEMBER 2020, 2021 AND 2022

ACHIEVA TECHNOLOGY SDN. BHD.
AND ITS SUBSIDIARY

FINANCIAL STATEMENTS
31 DECEMBER 2020, 2021 AND 2022

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ACHIEVA TECHNOLOGY SDN. BHD.
AND ITS SUBSIDIARY

STATEMENT BY DIRECTORS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

In the opinion of the directors,

(a) the financial statements of Achieva Technology Sdn. Bhd. (the "Company") and its subsidiary (the "Group")) are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022 and the financial performance, changes in equity and cash flows of the Company and of the Group for the financial years ended on those dates in accordance with International Financial Reporting Standards;

(a) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Sim Mong Keang Kenny

Yap Wai Fong Ellen

27 December 2023

INDEPENDENT AUDITOR'S REPORT OF THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022 OF ACHIEVA TECHNOLOGY SDN. BHD.

27 December 2023

The Board of Directors
Achieva Technology Sdn. Bhd.
10th Floor, Menara Hap Seng, No 1 & 3,
Jalan P. Ramlee, 50250 Kuala Lumpur

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Achieva Technology Sdn. Bhd. (the "Company") and its subsidiary (the "Group"), which comprise the Company's and the Group's statements of financial position as at 31 December 2020, 31 December 2021 and 31 December 2022, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022; and notes to the Company's and the Group's financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are properly drawn up in accordance with the International Financial Reporting Standards (IFRSs) so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2020, 31 December 2021 and 31 December 2022, and of the financial performance, changes in equity and cash flows of the Company and the Group for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Directors for the Financial Statements of the Company and the Group

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company and the Group or to cease operations, or has no realistic alternative but to do so.

The directors are responsible for overseeing the Company and the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT OF THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022 OF ACHIEVA TECHNOLOGY SDN. BHD.

Auditor's Responsibilities for the Audit of the Financial Statements of the Company and the Group

Our objectives are to obtain reasonable assurance about whether the financial statements of the Company and the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the Company and the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company and the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

INDEPENDENT AUDITOR'S REPORT OF THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022 OF ACHIEVA TECHNOLOGY SDN. BHD.

Restriction on Distribution and Use

This report is made solely to you as a body and for the inclusion in the circular to the shareholders of Axington Inc to be issued in relation to the proposed acquisition of the entire issued and paid-up share capital of the Company.

Moore Stephens LLP
Public Accountants and
Chartered Accountants
Singapore
Neo Keng Jin
Engagement partner

Moore Stephens Associates PLT
Chartered Accountants
(AF002096)
Petaling Jaya, Selangor
Lo Kuan Che
Engagement partner

ACHIEVA TECHNOLOGY SDN. BHD.
AND ITS SUBSIDIARY

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

		COMPANY		
	Note	2020	2021	2022
		USD	USD	USD
Revenue	4	37,462,572	54,202,076	37,244,261
Cost of sales		(35,743,937)	(50,899,851)	(35,932,791)
Gross profit		1,718,635	3,302,225	1,311,470
Other income	4	765,666	795,817	485,329
Interest		10,609	10,190	5,342
Other operating		755,057	785,627	479,987
Expenses:				
Distribution		(717,035)	(908,109)	(740,823)
Administrative		(561,813)	(639,123)	(679,026)
Finance	5	(220,446)	(134,238)	(265,663)
Other:				
Loss allowance on receivables		(26,031)	(86,635)	–
Other operating		(213,786)	(490,192)	(958,687)
Total expenses		(1,739,111)	(2,258,297)	(2,644,199)
Profit/(loss) before income tax	6	745,190	1,839,745	(847,400)
Income tax expense	7	(2,853)	(3,044)	(1,862)
Profit/(loss) after income tax		742,337	1,836,701	(849,262)
Profit/(loss) attributable to equity holders of the Company		742,337	1,836,701	(849,262)
Earnings/(loss) per share attributable to equity holders of the Company (cents)				
Basic earnings/(loss) per share	8	0.04	0.09	(0.04)
Diluted earnings/(loss) per share	8	0.04	0.09	(0.04)
Profit/(loss) for the year		742,337	1,836,701	(849,262)
Other comprehensive income/(loss):				
Item that may be reclassified to profit or loss:				
Currency translation differences		30,772	(40,129)	(123,891)
Other comprehensive income/(loss), net of tax		30,772	(40,129)	(123,891)
Profit/(loss) attributable to equity holders of the Company		773,109	1,796,572	(973,153)

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
AND ITS SUBSIDIARY

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020, 2021 AND 2022

		COMPANY			
		1 January 2020	31 December 2020	31 December 2021	31 December 2022
	Note	USD	USD	USD	USD
ASSETS					
Current assets					
Cash and cash equivalents	9	1,552,478	2,407,185	1,448,005	1,342,960
Trade and other receivables	10	3,605,708	5,202,602	6,347,524	6,835,068
Amounts due from a subsidiary, related companies and immediate holding company	11	24,071	62,442	1,202,568	131,538
Inventories	12	4,620,927	4,711,575	5,516,500	6,855,793
Tax recoverable		1,494	1,521	1,542	2,095
		9,804,678	12,385,325	14,516,139	15,167,454
Non-current assets					
Investment in a subsidiary	13	–	*	*	–
Property, plant and equipment	14	124,087	306,492	268,189	135,185
Investment property	15	–	131,693	124,566	113,507
Trade and other receivables	10	126,138	68,761	8,798	–
		250,225	506,946	401,553	248,692
Total assets		10,054,903	12,892,271	14,917,692	15,416,146
LIABILITIES					
Current liabilities					
Trade and other payables	16	225,640	469,425	508,369	1,498,671
Amounts due to ultimate, immediate holding company and related companies	17	5,274,466	8,465,517	6,939,568	6,791,001
Borrowings	18	4,680,077	3,184,140	4,936,842	5,671,661
		10,180,183	12,119,082	12,384,779	13,961,333
Non-current liability					
Borrowings	18	26,993	152,353	115,505	10,558
Total liabilities		10,207,176	12,271,435	12,500,284	13,971,891
NET (LIABILITIES)/ASSETS		(152,273)	620,836	2,417,408	1,444,255
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	21	5,647,663	5,647,663	5,647,663	5,647,663
Currency translation reserve		729,424	760,196	720,067	596,176
Accumulated losses		(6,529,360)	(5,787,023)	(3,950,322)	(4,799,584)
TOTAL EQUITY		(152,273)	620,836	2,417,408	1,444,255

* Equivalent to RM1

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
AND ITS SUBSIDIARY

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

	COMPANY			
	Share capital	Currency translation reserves	Accumulated losses	Total equity
	USD	USD	USD	USD
Balance at 1 January 2020	5,647,663	729,424	(6,529,360)	(152,273)
Profit for the year	–	–	742,337	742,337
Other comprehensive income:				
Currency translation differences	–	30,772	–	30,772
Total comprehensive income	–	30,772	742,337	773,109
Balance at 31 December 2020	5,647,663	760,196	(5,787,023)	620,836
Balance at 1 January 2021	5,647,663	760,196	(5,787,023)	620,836
Profit for the year	–	–	1,836,701	1,836,701
Other comprehensive loss:				
Currency translation differences	–	(40,129)	–	(40,129)
Total comprehensive income	–	(40,129)	1,836,701	1,796,572
Balance at 31 December 2021	5,647,663	720,067	(3,950,322)	2,417,408
Balance at 1 January 2022	5,647,663	720,067	(3,950,322)	2,417,408
Loss for the year	–	–	(849,262)	(849,262)
Other comprehensive loss:				
Currency translation differences	–	(123,891)	–	(123,891)
Total comprehensive income	–	(123,891)	(849,262)	(973,153)
Balance at 31 December 2022	5,647,663	596,176	(4,799,584)	1,444,255

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
AND ITS SUBSIDIARY

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Cash flows from operating activities			
Profit/(Loss) before income tax	745,190	1,839,745	(847,400)
Adjustments for:			
Depreciation of property, plant and equipment	90,340	129,674	119,796
Gain on modification of lease/disposal of property, plant and equipment	(350)	–	(11,841)
Property, plant and equipment written off	561	–	–
Fair value changes on investment property	–	2,419	4,554
Loss allowances/(reversal of impairment loss) on receivables, net	25,978	86,635	(18,260)
(Write-back)/allowances for inventories obsolescence	(31,551)	(164,638)	203,796
Inventories written off	66,965	5,833	–
Interest income	(10,609)	(10,190)	(5,342)
Interest expenses	220,446	134,238	265,663
Unrealised exchange differences	(60,236)	151,568	(139,432)
Operating cash flow before working capital changes	1,046,734	2,175,284	(428,466)
Changes in working capital			
Trade and other receivables	(1,520,745)	(1,331,530)	(794,021)
Inventories	(44,990)	(816,959)	(1,831,125)
Trade and other payables	240,440	(1,437)	1,064,865
Amounts due to immediate holding companies	1,355,594	(562,230)	1,979,924
Amounts due from/to related companies	864,006	(614,034)	(510,627)
Cash generated from/(used in) operations	1,941,039	(1,150,906)	(519,450)
Interest received	10,609	10,190	5,342
Interest paid	(217,459)	(125,428)	(259,846)
Income tax paid	(2,853)	(3,120)	(2,497)
Net cash generated from/(used in) operating activities	1,731,336	(1,269,264)	(776,451)
Cash Flows from investing activities			
Payments for property, plant and equipment	(57,499)	(4,495)	(622)
Payments for investment property	(131,693)	–	–
Investment in a subsidiary/Net cash outflow from disposal of a subsidiary	*	–	*
Proceeds from disposal of property, plant and equipment	–	–	11,841
(Advances to)/proceeds from a subsidiary	(39,608)	(1,164,500)	–
Advances to related companies	(158)	(75)	(1,419)
Net cash (used in)/generated from investing activities	(228,958)	(1,169,070)	9,800

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
AND ITS SUBSIDIARY

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Cash Flows from financing activities			
Drawdown from borrowings	19,056,846	15,466,860	22,759,649
Repayment of borrowings	(20,574,880)	(13,605,225)	(21,760,674)
Principal payment of lease liabilities	(82,389)	(114,339)	(107,635)
Advances from/(repayment to) ultimate holding company, net	248,951	(515,648)	287,711
Advances from/(repayment to) immediate holding company, net	670,065	189,529	(591,017)
Advances from/(repayment to) related companies, net	21,395	58,224	68,977
Net cash (used in)/generated from financing activities	(660,012)	1,479,401	657,011
Net increase/(decrease) in cash and cash equivalents	842,366	(958,933)	(109,640)
Effect of exchange rate fluctuations on cash and cash equivalents	12,341	(247)	4,595
Cash and cash equivalents at beginning of the year	1,552,478	2,407,185	1,448,005
Cash and cash equivalents at end of the year	2,407,185	1,448,005	1,342,960

* Equivalent to RM1.

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
AND ITS SUBSIDIARY

NOTES TO THE COMPANY'S FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

These notes form an integral part of and should read in conjunction with the accompanying financial statements.

1. General information

(a) Introduction

The financial statements of Achieva Technology Sdn. Bhd. (the "Company") have been prepared in accordance with the principles and the accounting policies set out in Note 2.

The financial statements of the Company have been prepared solely for inclusion in the circular to the shareholders of Axington Inc to be issued in relation to the proposed acquisition of the entire issued and paid-up share capital of the Company.

These financial statements of the Company are authorised for issue by the directors of the Company on the date of the statement by directors.

(b) The Company

The Company is a private limited company, incorporated and domiciled in Malaysia. The address of its registered office is 10th Floor, Menara Hap Seng, No 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur Wilayah Persekutan Kuala Lumpur. The principal place of business of the Company is located at 2.03, 2nd Floor, Wisma Academy, No 4A, Jalan 19/1, 46300 Petaling Jaya, Selangor.

The principal activities of the Company are that of distribution and marketing of information technology computer peripheral parts, software and related products. The principal activity of the subsidiary is disclosed in Note 13 to the financial statements.

The immediate holding company and ultimate holding company of the Company is Serial I-Tech (Far East) Pte Ltd and Serial System Ltd respectively. The immediate and ultimate holding companies are incorporated in Singapore. The ultimate holding company is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Company, expressed in United States Dollar ("USD"), have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Company first financial statements prepared in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

The financial statements have been prepared under the historical cost basis except as disclosed in the accounting policies below.

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Company's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

(b) Adoption of IFRSs

First time adoption of IFRSs

In adopting IFRS, the Company is required to apply all of the specific transition requirements in IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The Company's opening statements of financial position have been prepared as at 1 January 2020, which is the Company's date of transition to IFRS ("date of transition"). The first-time adoption of IFRS did not have material impact on the financial statements of the Company, except that the presentation currency adopted by the Company, prior to the adoption of IFRS was the Malaysian Ringgit.

Adoption of New and Revised IFRSs for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022

The accounting policies adopted are consistent with those of the previous financial years. The adoption of the new and revised IFRS relevant to the Company had no material financial impact on the financial statements upon implementation.

New and revised IFRSs issued but not yet adopted

At the date of authorisation of the financial statements, the Company has not adopted the following new or revised IFRS that have been issued and which are relevant to the Company but will only be effective for the Company for the annual periods beginning on or after 1 January 2023. Management is in the process of assessing the impact of these new standards on the financial performance or financial position of the Company.

2. Significant accounting policies (continued)

(b) Adoption of IFRSs (continued)

New and revised IFRSs issued but not yet adopted (continued)

Description	Effective for annual periods beginning on or after
Amendments to IAS 1, *Disclosure of Accounting Policies* and IFRS Practice Statement 2*, Making Materiality Judgements*	1 January 2023
Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 12, International tax Reform	1 January 2023
Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current*	1 January 2024
Amendments to IAS 1, *Presentation of Financial Statements - Non-Current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Leases – Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 7: Supplier Finance Arrangements	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2 Climate-related Disclosures	1 January 2024

Amendments to IAS 1

Disclosure of Accounting Policies and IFRS Practice Statement 2 Making Materiality Judgements

The amendments require entities to disclose their material accounting policies information rather than their significant accounting policies. It clarifies that accounting policy information may be material because of its nature, even if the related amounts are immaterial. Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to IAS 8

Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a new definition of accounting estimates. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

2. Significant accounting policies (continued)

(b) Adoption of IFRSs (continued)

Amendments to IAS 12

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to IAS 12

International Tax reform – Pillar Two Model Rules

The amendments introduce a mandatory temporary exception from the requirement to recognise and disclosed deferred taxes arising from the OECD International Tax Reform, It also added disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The requirement that an entity applies the exemption immediately upon issuance of the amendments and retrospectively in accordance with IAS 8.

Amendments to IAS 1

Classification of Liabilities as Current or Non-current

The amendments require that the classification of liabilities as current or non-current must be based on rights that are in existence at the end of the reporting period. The classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments clarify that a counterparty conversion option that is recognised separately as an equity component of a compound financial instrument does not affect the classification of the associated liability component as current or non-current. All other obligations to transfer equity instruments, cash, assets and liabilities, affect the classifications. The amendments should be applied retrospectively.

Amendments to IAS 1

Non-Current Liabilities with Covenants

The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. Additional disclosures are required by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months after the reporting period.

2. Significant accounting policies (continued)

(b) Adoption of IFRSs (continued)

Amendments to IFRS 16

Lease Liability in a Sale and Lease Back

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise the gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

Amendments to IFRS 7

Supplier Finance Arrangements

The amendments in IFRS 7 require an entity to disclose information about its supplier finance arrangements whether the entity has accessed, or has access to, supplier finance arrangements that provide the entity with extended payment terms or the entity's suppliers with early payment terms. In addition, new disclosure is added in IFRS 7 to require entity to disclose concentrations of liquidity risk and market risk may arise from supplier finance arrangements resulting in the entity concentrating with finance providers a portion of its financial liabilities originally owed to suppliers.

IFRS S1

General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 is effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted as long as IFRS S2 Climate-related Disclosures is also applied.

The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures. It sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.

2. Significant accounting policies (continued)

(b) Adoption of IFRSs (continued)

IFRS S1 (continued)

IFRS S1 sets out the requirements for disclosing information about an entity's sustainability-related risks and opportunities. In particular, an entity is required to provide disclosures about:

a. the governance processes, controls and procedures the entity uses to monitor, manage and oversee sustainability-related risks and opportunities;

b. the entity's strategy for managing sustainability-related risks and opportunities;

c. the processes the entity uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities; and

d. the entity's performance in relation to sustainability-related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation.

IFRS S2

Climate-related Disclosures

IFRS S2 is effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted as long as IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* is also applied.

The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S2 applies to:

a. climate-related risks to which the entity is exposed, which are:

   i. climate-related physical risks; and

   ii. climate-related transition risks; and

b. climate-related opportunities available to the entity.

2. Significant accounting policies (continued)

(b) Adoption of IFRSs (continued)

IFRS S2 (continued)

IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities. In particular, IFRS S2 requires an entity to disclose information that enables users of general purpose financial reports to understand:

a. the governance processes, controls and procedures the entity uses to monitor, manage and oversee climate-related risks and opportunities;

b. the entity's strategy for managing climate-related risks and opportunities;

c. the processes the entity uses to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process; and

d. the entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.

(c) Investment in a Subsidiary

Subsidiary is an entity (including structured entities) over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Investments in a subsidiary is stated at cost less accumulated impairment losses in the Company's statement of financial position. On disposal of investments in subsidiaries, the difference between net disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

(d) Currency translation

Functional currency

Items included in the financial statements in the Company is measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States Dollar (USD). The Company's functional currency is Ringgit Malaysia ("RM").

2. Significant accounting policies (continued)

(d) Currency translation (continued)

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are recognised at the rates of exchange prevailing at the dates of transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the statement of profit or loss, unless they arise from borrowings in foreign currencies, and other currency instruments designated and qualified as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve in the financial statement and transferred to statement of profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Translation of entity' financial statements

The results and financial position of the Company (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency is translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve within equity.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Company's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

2. Significant accounting policies (continued)

(e) Revenue recognition (continued)

Revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Control of the goods or services is transferred over time if the Company's performance: (i) provide all the benefits received and consumed simultaneously by the customer; (ii) create or enhance an asset that the customer controls as the Company performs; or (iii) do not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services. Specific criteria where revenue is recognised are described below:

Sale of goods

Sales of goods are recognised when an entity has transferred control of the products to the customer, the customer has accepted the products, there is no unfulfilled obligation that could affect the customer's acceptance of the products, the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue from sales is based on the price specified in the sale contracts, net of estimated volume discounts, if any. Accumulated experience is used to estimate the likelihood and provide for sales return for the goods sold at the time of sale.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Services

Revenue for services rendered is recognised over time, and in accordance with the substance of the relevant agreements. Other revenues earned by the Company are recognised on the following basis:

- Management fee is recognised when services are rendered.
- Interest income is recognised on an accrual basis using the effective interest method.
- Rental income is accounted for on a straight-line basis over the lease term.

2. Significant accounting policies (continued)

(f) Employee benefits

Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Company. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Company has no further payment obligations.

(g) Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(h) Income taxes

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

2. Significant accounting policies (continued)

(h) Income taxes

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(i) Leases

When the Company is the lessee

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are presented within "Property, plant and equipment" and lease liabilities are presented within "Borrowings" in the statement of financial position.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined as follows:

Premises	2 to 3 years

2. Significant accounting policies (continued)

(i) Leases (continued)

When the Company is the lessee (continued)

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(o).

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the Company's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Company is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Company changes their assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

When the Company is the lessor

Leases of investment property where the Company retains a significant portion of the risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) are recognised in the profit or loss on a straight-line basis over the lease term. Contingent rents are recognised as income in the profit or loss when earned.

(j) Property, plant and equipment

Property, plant and equipment are initially recorded at cost less accumulated depreciation and accumulated impairment losses.

Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

2. Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Recognition and measurement (continued)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets are recognised in profit or loss.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

Motor vehicles	20%
Office equipment	20%
Computers	33%
Furniture and fittings	20%
Renovation	20%

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(k) Investment property

Investment property is property which is owned or held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

2. Significant accounting policies (continued)

(k) Investment property (continued)

Investment property is measured initially at its cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use.

Investment property is subsequently measured at fair value with any change therein recognised in profit or loss for the period in which they arise.

Fair value gain or loss arising from the reclassification from property, plant and equipment to investment property is recognised in profit or loss.

An investment property is derecognised on its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the items in derecognised.

(l) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined on weighted average basis and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(n) Financial instruments

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial instrument categories and subsequent measurement

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Company changes their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets.

All financial assets are subject to impairment assessment.

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Fair value through profit or loss

For debt instruments measured at fair value through profit or loss, the movement in fair values and interest income that is not part of a hedging relationship is recognised in the profit or loss in the period in which it arises. Financial liabilities, at fair value through profit or loss, they are subsequently measured at fair value. Any gains or losses arising from changes are recognised in the profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date; and

- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment

The Company recognised loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

Loss allowances of the Company is measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

Impairment (conttinued)

Simplified approach – trade receivables

The Company applies the simplified approach to provide ECLs for trade receivables as permitted by IFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

General approach – other financial instruments

The Company applies the general approach to provide for ECLs on all other financial instruments, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Company considers an event of default for internal credit risk management purposes when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realizing security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Credit impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

Credit impaired financial assets (continued)

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due. Any recoveries made are recognised in profit or loss.

(o) Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries, are reviewed for impairment whenever there is any indication or objective evidence that these assets may be impaired. The recoverable amount (i.e. the higher of the fair value less cost of disposal and the value-in-use) of the asset is estimated in order to determine the extent of impairment loss (if any), on an individual asset.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

2. Significant accounting policies (continued)

(o) Impairment of non-financial assets (continued)

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss for an asset is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to the profit or loss.

(p) Derivatives that are disqualified or do not qualify for hedge accounting

Derivative financial instruments such as foreign exchange forward contracts are used to hedge risks associated with foreign currency fluctuations arising from the long-term loan exposure of foreign subsidiaries. These derivative financial instruments, while providing economic hedges, are not used for trading purposes.

Derivative financial instruments are recognised initially at fair value on the date the contracts are entered into and are subsequently re-measured to fair value at each reporting date. The gain or loss on re-measurement to fair value of derivative financial instruments that are disqualified or do not qualify for hedging accounting is recognised immediately in the consolidated income statement. Derivative financial instruments are carried as financial derivative assets when the fair value is positive and as financial derivative liabilities when the fair value is negative.

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. Borrowings due to be settled more than twelve months after the reporting date are presented as non-current borrowings in the statement of financial position.

2. Significant accounting policies (continued)

(r) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(s) Contingencies

A contingent liability and assets are a possible obligation or asset that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Company.

Contingent liabilities and assets are not recognised in the statements of financial position of the Company.

(t) Government grant

The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Government grant relating to the acquisition of assets are classified as non-current are amortised to the profit or loss over the expected lives of the related assets, on basis consistent with the depreciation of the related assets.

(u) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of their liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

(w) Fair value estimation

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

2. Significant accounting policies (continued)

(w) Fair value estimation (continued)

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Company recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management has taken into consideration whether there are indications that any assets may be impacted adversely. If any such indication exists, an estimate will be made on the realisable amount and/or fair value of the relevant assets.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates and assumptions

(a) Loss allowance for receivables

The Company measures the loss allowance for receivables in accordance with the accounting policy as disclosed in Note 2(n). In making this estimation and judgement, the Company evaluates, among other factors, the ageing analysis of receivables, the financial health and collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macro-economic indicators etc. At the end of the reporting period, historical default rates are updated and changes in the forward-looking estimates are analysed.

3. Critical accounting estimates, assumptions and judgements (continued)

Critical accounting estimates and assumptions (continued)

(a) Loss allowance for receivables (continued)

As at the reporting date, the carrying amounts of the Company's trade and other receivables are set out in Note 10 and Note 11 to the financial statements. The information about the expected credit losses on the Company's trade and other receivables are disclosed in Note 10 and Note 25(a) to the financial statements. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(b) Write down of inventories

The Company writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in end consumer demand and competitor actions in response to changes in market conditions. Management reassesses these estimates at each reporting period.

Inventory items identified to be obsolete and unusable are also written off and charged as expenses. The Company provided for allowances for inventories obsolescence. The write-off, recovery of inventories, allowances and write-back of inventory obsolescence are set out in Note 4, Note 6 and Note 12 to the financial statements.

As at the reporting date, the carrying amounts of inventories are set out in Note 12 to the financial statements.

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4. Revenue

Revenue represents gross invoiced value of goods supplied to customers net of returns and discounts.

The Company is in the business of distributing information technology computer peripheral parts, software and related products and its subsidiary is in the business of trading and distributing fast moving consumer goods ("FMCGs") via the e-commerce platforms and brick and mortar retail. Revenue recognition is based on point in time which is delivery of the goods to customer and requires acknowledgement from the customer on the goods that have been accepted.

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Sales of goods	37,462,572	54,202,076	37,244,261
Other income	755,057	785,627	479,987
Interest income	10,609	10,190	5,342
	38,228,238	54,997,893	37,729,590
Performance obligations satisfied at a point in time			
Sales of goods:			
- Consumer products	37,462,572	54,202,076	37,244,261
Other operating income:			
Incentive income received	478,124	594,477	304,283
Foreign exchange gain, unrealised	60,236	–	139,432
Foreign exchange gain, realised	142,912	–	–
Gain on disposal of property, plant and equipment	–	–	11,841
Gain on modification of lease	350	–	–
Government grants received	27,180	–	–
Management fee income	6,764	20,815	729
Office rental income	977	–	3,279
Reversal of impairment loss on receivables	53	–	18,260
Write-back allowances for inventories obsolescence	31,551	164,638	–
Write-back of inventories written off	–	–	596
Others	6,910	5,697	1,567
	755,057	785,627	479,987
Interest income:			
- bank balances	8,942	10,190	5,342
- trade balances	1,667	–	–
	10,609	10,190	5,342

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5. Finance expenses

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Interest expenses:			
- bankers' acceptances	177,219	87,646	221,749
- resolving credit	11,192	8,414	10,052
- letter of credit (ultimate holding company)	29,048	29,368	28,045
- lease liabilities	2,987	8,810	5,817
	220,446	134,238	265,663

6. Profit/(loss) before income tax

	COMPANY		
	2020	2021	2022
	USD	USD	USD
This is arrived at after charging			
Auditors' remuneration – statutory audit	9,510	12,095	12,524
Allowance for inventories obsolescence	–	–	203,796
Depreciation of property, plant and equipment	90,340	129,674	119,796
Employee benefits expense (Note a)	589,784	742,973	535,275
Fair value loss on investment property	–	2,419	4,554
Property, plant and equipment written off	561	–	–
Foreign exchange loss, unrealised	–	151,568	–
Foreign exchange loss, realised	–	139,732	372,610
Derivatives financial instruments	–	–	209,490
Impairment loss on trade and other receivables	26,031	62,253	–
Impairment loss on amount due from related companies	–	24,382	–
Inventories – cost of inventories recognised in cost of sales	35,743,937	51,469,408	39,184,422
Inventories written off	66,965	5,833	–
Management fees	445,455	527,014	530,991
Rental of premises	17,165	–	–

6. Profit/(loss) before income tax (continued)

(a) Employee benefits expense comprise:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Staff costs:			
Salaries, wages, bonus, allowances and overtime	411,664	524,537	426,010
Contributions to defined contribution plan	60,877	71,227	69,485
Social security contributions	4,766	5,343	5,428
Other employee benefits	112,477	141,866	34,352
Total employee benefits expense	589,784	742,973	535,275

7. Income tax expenses

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Current income tax:			
- Current year	2,853	3,120	2,497
- Over provision in prior year	–	(76)	(635)
	2,853	3,044	1,862

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the respective financial years.

The tax reconciliation from the tax amount at statutory income tax rate to the Company's tax expense is as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Profit/(loss) before tax	745,190	1,839,745	(847,400)
Tax calculated at a tax rate of 24%	178,845	441,539	(203,376)
Income not subject to tax	(7,500)	–	–
Expenses not deductible for tax purposes	59,890	35,163	16,937
Over provision of income tax in prior year	–	(76)	(635)
Deferred tax assets not recognised	–	–	188,936
Utilisation of previously unrecognised deferred tax assets	(228,382)	(473,582)	–
Tax expense for the financial years	2,853	3,044	1,862

7. Income tax expenses (continued)

The Company has the following items available for set-off against future taxable profits:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Unutilised tax losses	2,822,037	955,832	1,630,892
Unabsorbed capital allowances	–	–	2,414

The unutilised tax losses in a Year of Assessment ("YA") of the Company can only be carried forward for a maximum period of 10 consecutive YAs to be utilised against income from any business source.

8. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial years as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Net profit/(loss) attributable to equity holders of the Company	742,337	1,836,701	(849,262)
Weighted average number of ordinary shares outstanding for basic earnings/(loss) per share	20,356,157	20,356,157	20,356,157
Basic earnings/(loss) per share (USD)	0.04	0.09	(0.04)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings/(loss) per share, net profit/(loss) attributable to equity holders of the Company and the weighted average number of ordinary shares in issue (excluding treasury shares) are adjusted for the effects of all potential dilutive ordinary shares.

There are no potential dilutive ordinary shares during the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. Accordingly, the diluted earnings/(loss) per share is computed to be the same as the basic (loss)/earnings per share for the financial year ended 31 December 2020, 31 December 2021 and 31 December 2022.

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9. Cash and cash equivalents

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Cash at bank	2,406,688	1,447,526	1,342,506
Cash on hand	497	479	454
	2,407,185	1,448,005	1,342,960

10. Trade and other receivables

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Current			
Trade receivables	5,171,569	6,537,283	6,405,643
Less: Loss allowances	(320,739)	(370,862)	(333,252)
Net trade receivables	4,850,830	6,166,421	6,072,391
Other receivables	189,257	83,998	183,344
Deposits	117,879	66,370	62,938
Prepayments	44,636	30,735	516,395
	351,772	181,103	762,677
Total current	5,202,602	6,347,524	6,835,068
Non-current			
Trade receivables	68,761	8,798	–
Total non-current and current	5,271,363	6,356,322	6,835,068

The movements in the allowance for impairment loss for trade receivables are as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Balance at 1 January	288,428	320,739	370,862
Additions	26,031	62,253	–
Reversal	(53)	–	(18,260)
Currency translation differences	6,333	(12,130)	(19,350)
Balance 31 December	320,739	370,862	333,252

The normal credit terms of trade receivables range from 30 to 60 days.

The non-current portion of trade receivables were unsecured, interest free and fully repaid by the customer during financial year ended 31 December 2022.

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11. Amounts due from subsidiary, related companies and immediate holding company

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Amount due from immediate holding company			
- Non-trade	–	–	111,235
Amount due from subsidiary			
- Non-trade	38,212	1,202,415	–
Amounts due from related companies			
- Trade	15,044	24,146	40,362
- Non-trade	9,186	153	2,823
	24,230	24,299	43,185
Loss allowance	–	(24,146)	(22,882)
	24,230	153	20,303
Total	62,442	1,202,568	131,538

The movements in the allowance for impairment loss are as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Balance at 1 January	–	–	24,146
Additions	–	24,382	–
Currency translation differences	–	(236)	(1,264)
Balance at 31 December	–	24,146	22,882

The non-trade amounts due from subsidiary, related companies and immediate holding company are unsecured, non-interest bearing and repayable on demand. The trade amounts due from related companies are unsecured with a credit term granted of 30 to 60 days.

12. Inventories

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Finished goods	4,711,575	5,516,500	6,855,793

12. Inventories (continued)

The movements in the provision for inventories are as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Balance at 1 January	252,453	223,996	52,906
Additions	–	–	203,796
Reversal	(31,551)	(164,638)	–
Currency translation differences	3,094	(6,452)	(3,393)
Balance at 31 December	223,996	52,906	253,309

Inventory items identified to be obsolete and unusable are also written off and charged as expenses amounting to USD66,965 and USD5,833 for the Company for financial years ended 31 December 2020 and 31 December 2021. During financial year ended 31 December 2022, the Company recorded a recovery of USD596 to profit or loss as the inventories were sold above net realisable value.

13. Investment in a subsidiary

The Company incorporated a wholly-owned Malaysia subsidiary, Straitsmart Sdn Bhd, with a paid up capital of RM 1 on 29 June 2020. The principal activity of the subsidiary is that of sales of fast-moving consumer goods.

On 23 December 2022, the Company entered into a Sale and Purchase Agreement ("Agreement") to dispose 100.0% equity interest in Straitsmart Sdn. Bhd at a consideration of RM 1. The transfer of shares has been completed on 12 January 2023. Management is of the view that the Company ceased to have control of the subsidiary during the financial year ended 31 December 2022 and accordingly the investment in subsidiary has been de-recognised as at 31 December 2022.

The summary of the effect of the disposal on the financial position of the Company are as follows:

	COMPANY
	2022
	USD
Total sales proceeds	*
Less: Costs of investment of disposal subsidiary	(*)
Gain on disposal of a subsidiary	–

* equivalent to RM 1

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14. Property, plant and equipment

Right-of-use assets acquired under leasing arrangement are presented together with the owned assets of the same class. During the financial years ended 31 December 2020 and 31 December 2021, the Company's additions to property, plant and equipment included USD224,278 of right-of-use assets acquired under leasing arrangements.

	COMPANY						
	Premises	Motor vehicles	Office equipment	Computers	Furniture and fittings	Renovation	Total
	USD	USD	USD	USD	USD	USD	USD
2020							
Cost							
At 1 January	214,780	38,364	44,052	100,547	59,609	84,741	542,093
Additions	224,278	–	178	3,611	–	53,710	281,777
Written off	–	–	–	–	–	(4,042)	(4,042)
Modifications	(121,201)	–	–	–	–	–	(121,201)
Translation reserve	8,495	686	796	1,961	1,066	3,758	16,762
At 31 December	326,352	39,050	45,026	106,119	60,675	138,167	715,389
Less: Accumulated depreciation							
At 1 January	112,587	35,200	41,920	99,674	58,612	70,013	418,006
Charge for the financial year	77,184	3,080	680	1,453	268	7,675	90,340
Written off	–	–	–	–	–	(3,481)	(3,481)
Modifications	(102,730)	–	–	–	–	–	(102,730)
Translation reserve	861	770	781	1,849	1,062	1,439	6,762
At 31 December	87,902	39,050	43,381	102,976	59,942	75,646	408,897
Net carrying amount							
At 31 December	238,450	–	1,645	3,143	733	62,521	306,492

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14. Property, plant and equipment (continued)

	COMPANY						
	Premises	Motor vehicles	Office equipment	Computers	Furniture and fittings	Renovation	Total
	USD	USD	USD	USD	USD	USD	USD
2021							
Cost							
Balance at 1 January	326,352	39,050	45,026	106,119	60,675	138,167	715,389
Additions	97,621	–	266	2,097	2,132	–	102,116
Written off	–	–	–	(581)	–	–	(581)
Expiry of lease	(38,760)	–	–	–	–	–	(38,760)
Translation reserve	(12,298)	(1,403)	(1,620)	(3,827)	(2,200)	(4,965)	(26,313)
At 31 December	372,915	37,647	43,672	103,808	60,607	133,202	751,851
Less: Accumulated depreciation							
Balance at 1 January	87,902	39,050	43,381	102,976	59,942	75,646	408,897
Charge for the financial year	107,866	–	666	1,836	564	18,742	129,674
Disposal	–	–	–	(581)	–	–	(581)
Expiry of lease	(38,760)	–	–	–	–	–	(38,760)
Translation reserve	(3,829)	(1,403)	(1,565)	(3,711)	(2,159)	(2,901)	(15,568)
At 31 December	153,179	37,647	42,482	100,520	58,347	91,487	483,662
Net carrying amount							
Balance at 31 December	219,736	–	1,190	3,288	2,260	41,715	268,189

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14. Property, plant and equipment (continued)

	COMPANY						
	Premises	Motor vehicles	Office equipment	Computers	Furniture and fittings	Renovation	Total
	USD	USD	USD	USD	USD	USD	USD
2022							
Cost							
Balance at 1 January	372,915	37,647	43,672	103,808	60,607	133,202	751,851
Additions	–	–	–	622	–	–	622
Disposal	–	(18,076)	–	–	–	–	(18,076)
Expiry of lease	(47,781)	–	–	–	–	–	(47,781)
Translation reserve	(19,368)	(1,914)	(2,285)	(5,434)	(3,172)	(6,970)	(39,143)
At 31 December	305,766	17,657	41,387	98,996	57,435	126,232	647,473
Less: Accumulated depreciation							
Balance at 1 January	153,179	37,647	42,482	100,520	58,347	91,487	483,662
Charge for the financial year	102,235	–	649	1,897	598	14,417	119,796
Disposal	–	(18,076)	–	–	–	–	(18,076)
Expiry of lease	(47,618)	–	–	–	–	–	(47,618)
Translation reserve	(8,183)	(1,914)	(2,225)	(5,266)	(3,055)	(4,833)	(25,476)
At 31 December	199,613	17,657	40,906	97,151	55,890	101,071	512,288
Net carrying amount							
Balance at 31 December	106,153	–	481	1,845	1,545	25,161	135,185

15. Investment property

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Leasehold building, at fair value			
Balance at 1 January	–	131,693	124,566
Addition	126,007	–	–
Fair value change	–	(2,419)	(4,554)
Translation reserve	5,686	(4,708)	(6,505)
Balance at 31 December	131,693	124,566	113,507

Fair value is determined through the comparison method using Level 2 inputs in the fair value hierarchy of IFRS 13 *Fair Value Measurement*.

15. Investment property (continued)

The investment property was purchased during financial year ended 31 December 2020. The fair value of the above investment property was estimated based on valuation by an independent registered valuer at reporting dates, which was based on market evidence of transaction prices for similar properties and, in which certain values are adjusted for differences in key attributes such as property size, time and location under the comparison method.

The Company uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

Changes in fair value are recognised in the profit or loss during the reporting period in which they are reviewed.

The following amounts are recognised in profit or loss:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Rental income	(977)	–	(3,279)
Direct operating expenses			
-investment property generate income	14	–	195
-Investment property that do not generate rental income	–	13	–

The Company leases out its investment property to non-related third parties under non-cancellable operating leases. As at the reporting date, undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Within one year	–	–	4,372
Within 2-5 years	–	–	1,093

16. Trade and other payables

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Trade payables	24,301	49,621	746,063
Other payables	313,612	292,513	448,626
Accruals	131,512	166,235	95,134
Derivative financial instruments	–	–	208,848
	469,425	508,369	1,498,671

16. Trade and other payables (continued)

The normal trade credit terms granted to the Company ranges from 30 to 45 days.

The Company used foreign exchange forward contracts to manage exposures to currency risks arising from assets and liabilities denominated in Malaysian Ringgit. As at 31 December 2022, the outstanding non-derivative financial instruments comprised of foreign exchange forward contracts with contract notional amount of USD3,464,665 and fair value liabilities of USD208,848. The range of the contractual rates to buy or sell United States Dollar against Malaysian Ringgit (RM) are within RM 4.5050 to RM 4.7450. These foreign exchange forward contracts have maturity dates within two months from 31 December 2022 and were closed upon maturity subsequent to the financial year.

17. Amounts due to ultimate, immediate holding company and related companies

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Amount due to ultimate holding company			
- Non-trade	620,511	101,852	387,244
Amount due to immediate holding company			
- Trade	3,057,445	2,506,615	4,315,870
- Non-trade	1,464,558	1,652,808	–
	4,522,003	4,159,423	4,315,870
Amount due to related companies			
- Trade	3,280,560	2,578,458	1,919,193
- Non-trade	42,443	99,835	168,694
	3,323,003	2,678,293	2,087,887
Total	8,465,517	6,939,568	6,791,001

The non-trade amounts due to the ultimate and immediate holding company and related companies are unsecured, interest free, and repayable on demand.

The trade amounts due to the immediate holding company are unsecured, interest free and are repayable on demand. The trade amounts due to related companies are unsecured, interest free and have credit term of 30 to 90 days.

18. Borrowings

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Current			
Bankers' acceptances	2,848,801	4,590,010	5,345,743
Revolving credit	248,478	239,550	227,015
Lease liabilities	86,861	107,282	98,903
	3,184,140	4,936,842	5,671,661
Non-current			
Lease liabilities	152,353	115,505	10,558
Total	3,336,493	5,052,347	5,682,219

The Company regularly monitors its compliance with the covenants and are up to date with the scheduled repayments of the borrowings. As at the reporting date, the Company has not met the covenants on the borrowings outstanding with a financial institution, which have the right to call for the immediate repayment of the outstanding bankers' acceptances and revolving credit borrowings. These bank facilities are secured by corporate guarantee of the immediate holding company and a related company. The bank facilities are also secured by a bank's standby letter of credit. As at 12 April 2023, the financial institution has reviewed and agreed to continue extending the banking facilities to the Company until the next review.

Interest rates per annum at the reporting date for the bank borrowings are as follows:

	COMPANY		
	2020	2021	2022
	%	%	%
Bankers' acceptances	3.86 - 3.90	3.90 - 3.99	4.98-5.58
Revolving credit	3.94	3.94 - 3.95	3.94-3.95
Lease liabilities	3.83-4.52	2.95 - 4.52	2.95-3.83

19. Lease liabilities

The Company as the lessee

The Company has made periodic lease payments for buildings for the purpose of office usage. These are recognised within property, plant and equipment (Note 14). The lease liabilities of the Company are disclosed in Note 18 to the financial statements.

The carrying amounts of right-of-use assets classified within property, plant and equipment are as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Premises	238,450	219,736	106,153

The expenses charged to profit and loss during the financial year are as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Depreciation of premises	77,184	107,866	102,235
Interest expense on lease liabilities	2,987	8,810	5,817
Expenses relating to short term leases	17,165	–	–
Total cash flows for leases (excludes short-term leases)	(82,389)	(114,339)	(107,635)

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20. Changes in liabilities arising from financing activities

	COMPANY				
	Bank borrowings	Lease liabilities	Amount due to ultimate holding company	Amount due to/(from) immediate holding company	Amount due to related companies
	USD	USD	USD	USD	USD
2020					
At 1 January 2020	4,601,489	105,581	371,134	771,973	15,516
Proceeds/Advances	19,056,846		248,951	670,065	21,395
Repayment	(20,574,880)	(82,389)	–	–	–
Non-cash changes					
Additions	–	224,278	–	–	
Modifications	–	(18,821)	–	–	
Interest expense	–	2,987	–	–	
Currency translation differences	13,824	7,578	426	22,520	5,532
At 31 December 2020	3,097,279	239,214	620,511	1,464,558	42,443
2021					
At 1 January 2021	3,097,279	239,214	620,511	1,464,558	42,443
Proceeds/Advances	15,466,860	–	302,820	189,529	64,836
Repayment	(13,605,225)	(114,339)	(818,468)	–	(6,612)
Non-cash changes					
Additions	–	97,621	–	–	–
Interest expense	–	8,810	–	–	–
Currency translation differences	(129,354)	(8,519)	(3,011)	(1,279)	(832)
At 31 December 2021	4,829,560	222,787	101,852	1,652,808	99,835
2022					
At 1 January 2022	4,829,560	222,787	101,852	1,652,808	99,835
Proceeds/Advances	22,759,649	–	297,563	209,537	69,990
Repayment	(21,760,674)	(107,635)	(9,852)	(800,554)	(1,013)
Non-cash changes					
Disposals	–	(163)	–	–	–
Assignment of amount owing from a subsidiary	–	–	–	(1,145,974)	–
Interest expense	–	5,817	–	–	–
Currency translation differences	(255,777)	(11,345)	(2,319)	(27,052)	(118)
At 31 December 2022	5,572,758	109,461	387,244	(111,235)	168,694

There was an assignment of amount owing from a subsidiary amounting to USD1,145,974 to the Company's immediate holding company during the financial year ended 31 December 2022.

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21. Share capital

	COMPANY					
	Issued number of ordinary shares			Total share capital		
	2020	2021	2022	2020	2021	2022
	Number	Number	Number	USD	USD	USD
Issued and fully paid ordinary shares	20,356,157	20,356,157	20,356,157	5,647,663	5,647,663	5,647,663

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual interest.

22. Intangible assets

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Software			
Cost			
Balance at 1 January	65,807	66,984	64,578
Currency translation differences	1,177	(2,406)	(3,380)
Balance at 31 December	66,984	64,578	61,198
Less: Accumulated amortisation			
Balance at 1 January	65,807	66,894	64,578
Currency translation differences	1,177	(2,406)	(3,380)
Balance at 31 December	66,984	64,578	61,198
Net carrying value	–	–	–

23. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforcement right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, are shown on the statements of financial position as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Recovered/settled after one year			
- Deferred income tax assets	(9,293)	(9,739)	(44,577)
- Deferred income tax liabilities	9,293	9,739	44,577
	–	–	–

23. Deferred income tax (continued)

This is in respect of estimated deferred tax (assets)/liabilities arising from temporary differences as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Deferred tax assets			
Difference between right-of-use assets, lease liabilities and their tax bases	–	–	(794)
Difference between investment property and its tax base	–	–	(1,635)
Deductible temporary differences in respect of expenses	(9,293)	(9,739)	(42,148)
	(9,293)	(9,739)	(44,577)
Deferred tax liabilities			
Difference between property, plant and equipment and their tax bases	9,293	9,739	10,378
Unrealised foreign exchange gain	–	–	34,199
	9,293	9,739	44,577
	–	–	–

In addition to the unutilised tax losses and unabsorbed capital allowances as disclosed in Note 7 to the financial statements, the other deductible temporary differences of the Company are USD 518,599, USD380,818, USD412,202 for the respective financial years ended 31 December 2020 31 December 2021 and 31 December 2022.

24. Related party disclosures

A related party is a person or entity who is related to the entity that is preparing its financial statements ("reporting entity").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity and (b) an entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related companies in these financial statements refer to members of the Serial System Ltd's group of companies.

24. Related party disclosures (continued)

(a) Sales and purchases of goods and services

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties during the financial year at terms agreed between the parties:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Ultimate holding company			
- Sales	–	–	(942)
- Finance expenses (letter of credit)	29,048	29,368	28,045
- Management fee expenses	219,903	273,452	254,975
Immediate holding company			
- Sales	–	–	(62,608)
- Purchases	18,864,856	30,928,956	24,988,573
- Management fee expenses	225,552	188,610	206,026
Related companies			
- Sales	–	–	(16,743)
- Purchases	13,892,154	16,416,420	13,046,618
- Management fee expenses	–	64,952	69,990
Subsidiary			
- Management fee income	(6,764)	(20,815)	(729)

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel comprise all the Directors of the Company.

There is no remuneration paid by the Company to key management personnel during the financial year. The remuneration of the key management personnel are paid by the immediate and ultimate holding companies.

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25. Financial risk management

The Company's activities expose them to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The directors of the Company provide guidelines for overall risk management. Management reviews and agrees on policies for managing the various financial risks.

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Financial assets, at amortised cost:			
Cash and cash equivalents	2,407,185	1,448,005	1,342,960
Trade and other receivables	5,226,727	6,325,587	6,318,673
Amount due from a subsidiary, related companies and immediate holding company	62,442	1,202,568	131,538
	7,696,354	8,976,160	7,793,171
Financial liabilities, at amortised costs:			
Trade and other payables	469,425	508,369	1,289,823
Borrowings	3,336,493	5,052,347	5,682,219
Amounts due to ultimate, immediate and related companies	8,465,517	6,939,568	6,791,001
	12,271,435	12,500,284	13,763,043
Financial liabilities, at fair value through profit or loss:			
Derivatives financial instruments	–	–	208,848

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company.

The Company's major classes of financial assets are cash and cash equivalents, trade and other receivables, and amounts due from subsidiary and related companies.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Company's association to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

As at 31 December 2020, 31 December 2021, 31 December 2022, the Company has major concentration of credit risk arising from 2, 2, 2 customers that represented 27%, 27%, 28% respectively of the net trade receivables of the Company.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective heads of operation and finance department and at the holding company level by the corporate finance and management team.

25. Financial risk management (continued)

(a) Credit risk (continued)

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position,

The internal credit risk grading which is used to report the Company's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss
(i) Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
(ii) Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 30 days past due)	Lifetime ECL (not credit impaired)
(iii) Non-performing	There is evidence indicating that the asset is credit impaired (i.e. interest and/or principal repayment are more than 90 days past due)	Lifetime ECL (credit impaired)
(iv) Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayment are more than 180 days past due)	Asset is written off

Except as disclosed in the financial statements, the Company has no under-performing and non-performing financial assets. The credit quality of the Company's financial assets, as well as maximum exposure to credit risk rating rates are presented as follows:

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected credit loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Cash and cash equivalents are entered into with bank and financial institution counterparties, assessed as low credit risks and rated Ba1 to Aa1, based on rating agency's ratings. The amount of impairment allowance on cash and cash equivalents is immaterial. The gross and net carrying amount of cash and cash equivalents are set out in Note 9 to the financial statements.

25. Financial risk management (continued)

(a) Credit risk (continued)

Other receivables, amounts due from a subsidiary and related companies

For other receivables, the Company categorised them as performing debts where the counterparties have a low risk of default and do not have any past-due amounts. The loss allowance is measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures. The gross and net carrying amounts of other receivables are set out in Note 10 and Note 11 to the financial statements. The movements in the allowance for impairment loss on amount due from a subsidiary and related companies are set out in Note 11 to the financial statements.

Trade receivables

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables carried at amortised cost. The expected credit loss rates are based on the payment profiles of sales over a period of 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the unemployment rate of the countries in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical credit loss rates based on expected changes in this factor.

For individual assessment, it is due to the number of debtors is minimal and these debtors can be individually managed by the Company in an effective and efficient manner. The Company has reasonable and supportable information available to assess the impairment individually.

For collective assessment, the Company determines the expected credit losses by using a provision matrix for collective assessed receivables which are grouped together based on shared credit risk characteristics and the number of days past due which have similar risk characteristics.

25. Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at reporting date which are grouped together as they are expected to have similar risk nature.

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Within credit terms - current	2,463,210	3,138,938	3,800,947
Past due:			
1 to 30 days	1,890,555	1,999,114	1,943,207
31 days to 60 days	371,900	894,304	294,513
61 days to 90 days	–	12,111	35,500
Over 90 days	524,665	501,614	331,476
	5,250,330	6,546,081	6,405,643
Less: Loss allowance			
Collectively impaired	(12,811)	(22,590)	(7,744)
Individually impaired	(307,928)	(348,272)	(325,508)
	(320,739)	(370,862)	(333,252)
Net amount	4,929,591	6,175,219	6,072,391

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses. Subsequent recovery of amounts previously written off is credited against the same line item.

The movements in the allowance for impairment loss on amount due from a subsidiary and related companies are set out in Note 10 to the financial statements.

25. Financial risk management (continued)

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Floating rate instruments:			
Bankers' acceptances	2,848,801	4,590,010	5,345,743
Revolving credit	248,478	239,550	227,015
	3,097,279	4,829,560	5,572,758

The following table details the sensitivity analysis to its results for the financial year, to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	COMPANY		
	2020	2021	2022
	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)
	USD	USD	USD
Effects on results net of tax			
Increase of 10 basis points	(2,354)	(3,670)	4,235
Decrease of 10 basis points	2,354	3,670	(4,235)
Effects on equity			
Increase of 10 basis points	(2,354)	(3,670)	(4,235)
Decrease of 10 basis points	2,354	3,670	4,235

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Company's financial liabilities at reporting date comprise trade and other payables, amounts due to immediate holding company, related companies and ultimate holding company, borrowings and lease liabilities which are payable on demand or due within one year to more than two years.

25. Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted repayment of obligations:

	COMPANY			
	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years
	USD	USD	USD	USD
2020				
Financial liabilities:				
Trade and other payables	469,425	469,425	469,425	–
Amount due to ultimate, immediate holding company and related companies	8,465,517	8,465,517	8,465,517	–
Borrowings	3,336,493	3,352,592	3,194,336	158,256
	12,271,435	12,287,534	12,129,278	158,256
2021				
Financial liabilities:				
Trade and other payables	508,369	508,369	508,369	–
Amount due to ultimate, immediate holding company and related companies	6,939,568	6,939,568	6,939,568	–
Borrowings	5,052,347	5,063,357	4,945,552	117,805
	12,500,284	12,511,294	12,393,489	117,805
2022				
Financial liabilities:				
Trade and other payables (excluding derivatives)	1,289,823	1,289,823	1,289,823	–
Derivatives financial instruments	208,848	208,848	208,848	–
Amount due to ultimate, immediate holding company and related companies	6,791,001	6,791,001	6,791,001	–
Borrowings	5,682,219	5,686,853	5,676,230	10,623
	13,971,891	13,976,525	13,965,902	10,623

25. Financial risk management (continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has transactional currency exposures arising from sales or purchases that are denominated in currencies other than their functional currency, primarily United States Dollar ("USD") and Singapore Dollar ("SGD"). Foreign currencies denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Company holds cash and cash equivalents denominated in foreign currencies to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

Foreign exchange exposures in transactional currencies other than functional currency of the Company are kept to an acceptable level.

The net unhedged financial assets and liabilities of the Company that are not denominated in the functional currency are as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Denominated in USD			
Financial assets:			
Amounts due from subsidiary	21,906	–	–
Amounts due from related companies	24,071	–	20,158
Cash and cash equivalents	110,248	66,929	27,186
Trade receivables	11,639	3,474	21,214
	167,864	70,403	68,558
Financial liabilities:			
Amount due to ultimate holding company	(620,511)	(101,852)	(387,244)
Amount due to immediate holding company	(4,520,300)	(4,159,423)	(4,150,525)
Amounts due to related companies	(3,323,003)	(2,678,293)	(2,060,647)
Trade and other payables	(76,801)	(49,621)	(746,063)
	(8,540,615)	(6,989,189)	(7,344,479)
Net exposure	(8,372,751)	(6,918,786)	(7,275,921)
Denominated in SGD			
Financial liabilities:			
Amount due to immediate holding company	(1,703)	–	(54,110)
Amounts due to related companies	(22,937)	–	(27,240)
Net exposure	(24,640)	–	(81,350)

25. Financial risk management (continued)

(d) Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	COMPANY		
	2020	2021	2022
	Increase/ (Decrease)	Increase/ (Decrease)	Increase/ (Decrease)
	USD	USD	USD
Effects on results before tax:			
USD/RM			
Strengthened by 5%	(419,733)	(345,939)	363,796
Weakened by 5%	419,733	345,939	(363,796)
SGD/RM			
Strengthened by 5%	(1,232)	–	4,067
Weakened by 5%	1,232	–	(4,067)

(e) Capital management

The Company manages their capital to ensure that the Company will be able to maintain an optimal capital structure so as to support their business and maximise shareholder value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Company manages their capital based on debt-to-equity ratio. Net debt includes borrowings and cash and cash equivalents whilst total capital is the equity attributable to the owner of the Company.

The Company's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as follows:

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Borrowings (less lease liabilities)	3,097,279	4,829,560	5,572,758
Less: Cash and cash equivalents	(2,407,185)	(1,448,005)	(1,342,960)
Total net debts	690,094	3,381,555	4,229,798
Total equity attributable to the owner of the Company	620,836	2,417,408	1,444,255
Debt to equity ratio	1.11	1.40	2.93

25. Financial risk management (continued)

(e) Capital management (continued)

There were no changes in the Company's approach to capital management during the financial year. Other than as disclosed in the financial statements, the Company is in compliance with all externally imposed capital requirements.

26. Fair values of assets and liabilities

The Company measured its investment property at fair value as at reporting date, based on Level 2 fair value measurements, as disclosed in Note 15 to the financial statements.

There was no transfer between Level 1, Level 2 and Level 3 during the respective financial years.

The fair values of borrowings and lease liabilities are estimated using discounted expected future cash flows at market incremental lending rate for similar type borrowings or leasing arrangements at the reporting date.

The carrying amounts of other financial assets and liabilities recognised as at the reporting date with maturity of less than one year approximate their fair values due to their short-term maturities.

27. Segment reporting

Management has determined the Company as one reportable segment as the Company is only involved in the distribution and marketing of information technology computer peripheral parts, software and related products.

Revenue from external customers are attributed to the regions based on the customers' country of origin.

	COMPANY		
	2020	2021	2022
	USD	USD	USD
Malaysia	37,462,572	54,202,076	37,244,261

As at 31 December 2022, the Company has 4 (2021: 5 2020: 5) customers each accounting for more than 5% (2021: 5% 2020: 5%) of the Company's total revenue.

ACHIEVA TECHNOLOGY SDN. BHD.
AND ITS SUBSIDIARY

GROUP FINANCIAL INFORMATION
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

The Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow and notes to the financial statements included its subsidiary, Straitsmart Sdn. Bhd. which was incorporated on 29 June 2020 and de-recognised as investment in subsidiary as at 31 December 2022. Straitsmart Sdn. Bhd. is not part of the proposed acquisition entity.

The Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flow and notes to the financial statements are presented for the purpose of IFRS compliance.

ACHIEVA TECHNOLOGY SDN. BHD.
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

	Note	GROUP		
		2020	2021	2022
		USD	USD	USD
Revenue	4	37,465,289	55,031,767	37,244,261
Cost of sales		(35,746,078)	(51,688,451)	(35,932,791)
Gross profit		1,719,211	3,343,316	1,311,470
Other income	4	759,782	775,063	924,350
Interest		10,609	10,251	5,342
Other operating		749,173	764,812	919,008
Expenses:				
Distribution		(723,123)	(908,300)	(741,209)
Administrative		(565,029)	(643,546)	(647,445)
Finance	5	(220,446)	(134,238)	(265,663)
Other:				
Loss allowance on receivables		(26,031)	(86,635)	–
Other operating		(213,912)	(490,755)	(1,429,300)
Total expenses		(1,748,541)	(2,263,474)	(3,083,617)
Profit/(loss) before income tax	6	730,452	1,854,905	(847,797)
Income tax expense	7	(2,853)	(3,261)	(1,670)
Profit/(loss) after income tax		727,599	1,851,644	(849,467)
Profit/(loss) attributable to equity holders of the Company		727,599	1,851,644	(849,467)
Earnings/(loss) per share attributable to equity holders of the Company (cents)				
Basic earnings/(loss) per share	8	0.04	0.09	(0.04)
Diluted earnings/(loss) per share	8	0.04	0.09	(0.04)

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

	GROUP		
	2020	2021	2022
	USD	USD	USD
Profit/(loss) for the year	727,599	1,851,644	(849,467)
Other comprehensive income/(loss):			
Item that may be reclassified to profit or loss:			
Currency translation differences	30,107	(39,719)	(123,636)
Other comprehensive income/(loss), net of tax	30,107	(39,719)	(123,636)
Profit/(loss) attributable to equity holders of the Company	757,706	1,811,925	(973,103)

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

		GROUP			
		1 January 2020	31 December 2020	31 December 2021	31 December 2022
	Note	USD	USD	USD	USD
ASSETS					
Current assets					
Cash and cash equivalents	9	1,552,478	2,409,678	1,448,602	1,342,960
Trade and other receivables	10	3,605,708	5,203,873	6,781,314	6,835,068
Amounts due from related companies and immediate holding company	11	24,071	24,230	770,239	131,538
Inventories	12	4,620,927	4,733,338	5,516,504	6,855,793
Tax recoverable		1,494	1,521	1,542	2,095
		9,804,678	12,372,640	14,518,201	15,167,454
Non-current assets					
Property, plant and equipment	14	124,087	307,305	268,670	135,185
Investment property	15	–	131,693	124,566	113,507
Trade and other receivables	10	126,138	68,761	8,798	–
		250,225	507,759	402,034	248,692
Total assets		10,054,903	12,880,399	14,920,235	15,416,146
LIABILITIES					
Current liabilities					
Trade and other payables	16	225,640	472,729	510,965	1,498,671
Amounts due to ultimate, immediate holding company and related companies	17	5,274,466	8,465,744	6,939,565	6,791,001
Borrowings	18	4,680,077	3,184,140	4,936,842	5,671,661
		10,180,183	12,122,613	12,387,372	13,961,333
Non-current liability					
Borrowings	18	26,993	152,353	115,505	10,558
Total liabilities		10,207,176	12,274,966	12,502,877	13,971,891
NET (LIABILITIES)/ASSETS		(152,273)	605,433	2,417,358	1,444,255
EQUITY					
Capital and reserves attributable to equity holders of the Group					
Share capital	21	5,647,663	5,647,663	5,647,663	5,647,663
Currency translation reserves		729,424	759,531	719,812	596,176
Accumulated losses		(6,529,360)	(5,801,761)	(3,950,117)	(4,799,584)
TOTAL EQUITY		(152,273)	605,433	2,417,358	1,444,255

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

	GROUP			
	Share capital	Currency translation reserves	Accumulated losses	Total equity
	USD	USD	USD	USD
Balance at 1 January 2020	5,647,663	729,424	(6,529,360)	(152,273)
Profit for the year	–	–	727,599	727,599
Other comprehensive income:				
Currency translation differences	–	30,107	–	30,107
Total comprehensive income	–	30,107	727,599	757,706
Balance at 31 December 2020	5,647,663	759,531	(5,801,761)	605,433
Balance at 1 January 2021	5,647,663	759,531	(5,801,761)	605,433
Profit for the year	–	–	1,851,644	1,851,644
Other comprehensive loss:				
Currency translation differences	–	(39,719)	–	(39,719)
Total comprehensive income	–	(39,719)	1,851,644	1,811,925
Balance at 31 December 2021	5,647,663	719,812	(3,950,117)	2,417,358
Balance at 1 January 2022	5,647,663	719,812	(3,950,117)	2,417,358
Loss for the year	–	–	(849,467)	(849,467)
Other comprehensive loss:				
Currency translation differences	–	(123,636)	–	(123,636)
Total comprehensive income	–	(123,636)	(849,467)	(973,103)
Balance at 31 December 2022	5,647,663	596,176	(4,799,584)	1,444,255

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

	GROUP		
	2020	2021	2022
	USD	USD	USD
Cash flows from operating activities			
Profit/(Loss) before income tax	730,452	1,854,905	(847,797)
Adjustments for:			
Depreciation of property, plant and equipment	90,466	129,979	120,085
Gain on modification of lease/disposal of property, plant and equipment	(350)	–	(11,841)
Property, plant and equipment written off	561	–	
Fair value changes on investment property	–	2,419	4,554
Loss allowances on receivables, net	25,978	86,635	(18,260)
Write off prepayment	–	–	434,953
(Write-back)/allowances for inventories obsolescence, net	(31,551)	(163,062)	203,796
Gain on disposal of a subsidiary	–	–	(356,633)
Inventories written off	66,965	17,154	–
Interest income	(10,609)	(10,251)	(5,342)
Interest expenses	220,446	134,238	265,663
Unrealised exchange differences	(61,116)	143,123	(222,549)
Operating cash flow before working capital changes	1,031,242	2,195,140	(433,371)
Changes in working capital			
Trade and other receivables	(1,522,640)	(1,759,905)	(789,074)
Inventories	(66,754)	(808,753)	(1,831,125)
Trade and other payables	243,162	(2,046)	1,064,766
Amounts due to immediate holding companies	1,355,594	(563,564)	1,979,924
Amounts due from/to related companies	864,006	(1,377,793)	(510,627)
Cash generated from/(used in) operations	1,904,610	(2,316,921)	(519,507)
Interest received	10,609	10,251	5,342
Interest paid	(217,459)	(125,428)	(259,846)
Income tax paid	(2,853)	(3,338)	(2,626)
Net cash generated from/(used in) operating activities	1,694,907	(2,435,436)	(776,637)
Cash Flows from investing activities			
Payments for property, plant and equipment	(58,402)	(4,495)	(622)
Payments for investment property	(131,693)	–	–
Net cash outflow from disposal of a subsidiary	–	–	(414)
Proceeds from disposal of property, plant and equipment	–	–	11,841
Advances to related companies	(158)	(75)	(1,419)
Net cash (used in)/generated from investing activities	(190,253)	(4,570)	9,386

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

	GROUP		
	2020	2021	2022
	USD	USD	USD
Cash Flows from financing activities			
Proceeds from borrowings	19,056,846	15,466,860	22,759,649
Repayment of borrowings	(20,574,880)	(13,605,225)	(21,760,674)
Principal payment of lease liabilities	(82,389)	(114,339)	(107,635)
Advances from/(repayment to) ultimate holding company, net	248,951	(515,648)	287,711
Advances from/(repayment to) immediate holding company, net	670,065	189,526	(591,014)
Advances from/(repayment to) related companies, net	21,612	58,003	68,977
Net cash (used in)/generated from financing activities	(659,795)	1,479,177	657,014
Net increase/(decrease) in cash and cash equivalents	844,859	(960,829)	(110,237)
Effect of exchange rate fluctuations on cash and cash equivalents	12,341	(247)	4,595
Cash and cash equivalents at beginning of the year	1,552,478	2,409,678	1,448,602
Cash and cash equivalents at end of the year	2,409,678	1,448,602	1,342,960

The accompanying notes form an integral part of those financial statements.

ACHIEVA TECHNOLOGY SDN. BHD.
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NOTES TO THE GROUP FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022

These notes form an integral part of and should read in conjunction with the accompanying financial statements.

1. General information

(a) Introduction

The financial statements of Achieva Technology Sdn. Bhd. and its subsidiary (the "Group") have been prepared in accordance with the principles and the accounting policies set out in Note 2.

The financial statements of the Group have been prepared solely for inclusion in the circular to the shareholders of Axington Inc to be issued in relation to the proposed acquisition of the entire issued and paid-up share capital of the Company.

These financial statements of the Group are authorised for issue by the directors of the Company on the date of statement by directors.

(b) The Company

The Company is a private limited company, incorporated and domiciled in Malaysia. The address of its registered office is 10th Floor, Menara Hap Seng, No 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur Wilayah Persekutan Kuala Lumpur. The principal place of business of the Company is located at 2.03, 2nd Floor, Wisma Academy, No 4A, Jalan 19/1, 46300 Petaling Jaya, Selangor.

The principal activities of the Company are that of distribution and marketing of information technology computer peripheral parts, software and related products. The principal activity of the subsidiary is disclosed in Note 13 to the financial statements.

The immediate holding company and ultimate holding company of the Company is Serial I-Tech (Far East) Pte Ltd and Serial System Ltd respectively. The immediate and ultimate holding companies are incorporated in Singapore. The ultimate holding company is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

2. Significant accounting policies

(a) Basis of preparation

The financial statements of the Group, expressed in United States Dollar ("USD"), have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the Group's first financial statements prepared in accordance with IFRS 1 *First-time Adoption of International Financial Reporting Standards* has been applied.

The financial statements have been prepared under the historical cost basis except as disclosed in the accounting policies below.

2. Significant accounting policies (continued)

(a) Basis of preparation (continued)

The preparation of financial statements in conformity with IFRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3 to the financial statements.

(b) Adoption of IFRSs

First time adoption of IFRSs

In adopting IFRS, the Group is required to apply all of the specific transition requirements in IFRS 1 *First-time Adoption of International Financial Reporting Standards.* The Group's opening statements of financial position have been prepared as at 1 January 2020, which is the Group's date of transition to IFRS ("date of transition"). The first-time adoption of IFRS did not have material impact on the financial statements of the Company and the Group, except that the presentation currency adopted by the Group, prior to the adoption of IFRS was the Malaysian Ringgit.

Adoption of New and Revised IFRSs for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022

The accounting policies adopted are consistent with those of the previous financial years. The adoption of the new and revised IFRS relevant to the Group had no material financial impact on the financial statements upon implementation.

New and revised IFRSs issued but not yet adopted

At the date of authorisation of the financial statements, the Group has not adopted the following new or revised IFRS that have been issued and which are relevant to the Group but will only be effective for the Group for the annual periods beginning on or after 1 January 2023. Management is in the process of assessing the impact of these new standards on the financial performance or financial position of the Group.

2. Significant accounting policies (continued)

(b) Adoption of IFRSs (continued)

New and revised IFRSs issued but not yet adopted

Description	Effective for annual periods beginning on or after
Amendments to IAS 1, *Disclosure of Accounting Policies* and IFRS Practice Statement 2*, Making Materiality Judgements*	1 January 2023
Amendments to IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 12, International tax Reform	1 January 2023
Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current*	1 January 2024
Amendments to IAS 1, *Presentation of Financial Statements - Non-Current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Leases – Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 7: Supplier Finance Arrangements	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2 Climate-related Disclosures	1 January 2024

Amendments to IAS 1

Disclosure of Accounting Policies and IFRS Practice Statement 2 Making Materiality Judgements

The amendments require entities to disclose their material accounting policies information rather than their significant accounting policies. It clarifies that accounting policy information may be material because of its nature, even if the related amounts are immaterial. Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements. If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

Amendments to IAS 8

Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The amendments replace the definition of a change in accounting estimates with a new definition of accounting estimates. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error. In addition, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

2. Significant accounting policies (continued)

(b) Adoption of IFRSs (continued)

Amendments to IAS 12

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to IAS 12

International Tax reform – Pillar Two Model Rules

The amendments introduce a mandatory temporary exception from the requirement to recognise and disclosed deferred taxes arising from the OECD International Tax Reform, It also added disclosure requirements for affected entities to help users of the financial statements better understand an entity's exposure to Pillar Two income taxes arising from that legislation, particularly before its effective date.

The requirement that an entity applies the exemption immediately upon issuance of the amendments and retrospectively in accordance with IAS 8.

Amendments to IAS 1

Classification of Liabilities as Current or Non-current

The amendments require that the classification of liabilities as current or non-current must be based on rights that are in existence at the end of the reporting period. The classification is unaffected by management's intentions or expectations about whether an entity will exercise its right to defer settlement of a liability. The amendments clarify that a counterparty conversion option that is recognised separately as an equity component of a compound financial instrument does not affect the classification of the associated liability component as current or non-current. All other obligations to transfer equity instruments, cash, assets and liabilities, affect the classifications. The amendments should be applied retrospectively.

Amendments to IAS 1

Non-Current Liabilities with Covenants

The amendments clarify that only covenants with which an entity must comply on or before the reporting date will affect a liability's classification as current or non-current. Additional disclosures are required by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within twelve months after the reporting period.

2. Significant accounting policies (continued)

(b) Adoption of IFRSs (continued)

Amendments to IFRS 16

Lease Liability in a Sale and Lease Back

The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise the gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

IFRS S1

General Requirements for Disclosure of Sustainability-related Financial Information

IFRS S1 is effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted as long as IFRS S2 Climate-related Disclosures is also applied.

The objective of IFRS S1 is to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S1 prescribes how an entity prepares and reports its sustainability-related financial disclosures. It sets out general requirements for the content and presentation of those disclosures so that the information disclosed is useful to users in making decisions relating to providing resources to the entity.

IFRS S1 sets out the requirements for disclosing information about an entity's sustainability-related risks and opportunities. In particular, an entity is required to provide disclosures about:

a. the governance processes, controls and procedures the entity uses to monitor, manage and oversee sustainability-related risks and opportunities;

b. the entity's strategy for managing sustainability-related risks and opportunities;

c. the processes the entity uses to identify, assess, prioritise and monitor sustainability-related risks and opportunities; and

d. the entity's performance in relation to sustainability-related risks and opportunities, including progress towards any targets the entity has set or is required to meet by law or regulation.

2. Significant accounting policies (continued)

(b) Adoption of IFRSs (continued)

IFRS S2

Climate-related Disclosures

IFRS S2 is effective for annual reporting periods beginning on or after 1 January 2024 with earlier application permitted as long as IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* is also applied.

The objective of IFRS S2 is to require an entity to disclose information about its climate-related risks and opportunities that is useful to users of general purpose financial reports in making decisions relating to providing resources to the entity.

IFRS S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term (collectively referred to as 'climate-related risks and opportunities that could reasonably be expected to affect the entity's prospects').

IFRS S2 applies to:

a. climate-related risks to which the entity is exposed, which are:

   i. climate-related physical risks; and

   ii. climate-related transition risks; and

b. climate-related opportunities available to the entity.

IFRS S2 sets out the requirements for disclosing information about an entity's climate-related risks and opportunities. In particular, IFRS S2 requires an entity to disclose information that enables users of general purpose financial reports to understand:

a. the governance processes, controls and procedures the entity uses to monitor, manage and oversee climate-related risks and opportunities;

b. the entity's strategy for managing climate-related risks and opportunities;

c. the processes the entity uses to identify, assess, prioritise and monitor climate-related risks and opportunities, including whether and how those processes are integrated into and inform the entity's overall risk management process; and

d. the entity's performance in relation to its climate-related risks and opportunities, including progress towards any climate-related targets it has set, and any targets it is required to meet by law or regulation.

2. Significant accounting policies (continued)

(c) Group accounting

Subsidiary

Subsidiary is an entity (including structured entity) over which the Group has control. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary is fully consolidated from the date on which control is transferred to the Company. It is de-consolidated from the date on which control ceases.

The Group reassesses whether or not that control an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Acquisition of businesses

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition method of accounting is used to account for business combinations entered into by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary at the acquisition date.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. All subsequent changes in debt contingent consideration are recognised in the consolidated profit or loss, rather than the goodwill.

In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in IFRS 3.

2. Significant accounting policies (continued)

(c) Group accounting (continued)

Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

Disposal of subsidiaries or businesses

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to the consolidated profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the consolidated profit or loss.

(d) Currency translation

Functional currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in United States Dollar (USD). The Company's functional currency is Ringgit Malaysia ("RM").

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are recognised at the rates of exchange prevailing at the dates of transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in the statement of profit or loss, unless they arise from borrowings in foreign currencies, and other currency instruments designated and qualified as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve in the financial statement and transferred to statement of profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. Significant accounting policies (continued)

(d) Currency translation (continued)

Translation of Group entities' financial statements

The results and financial position of the Group (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rates at the reporting date;

(ii) income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case, income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) all resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve within equity. These currency translation differences are reclassified to the statement of profit or loss on disposal (i.e. a disposal involving loss of control) of the entity giving rise to such reserve.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in the statement of profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to statement of profit or loss.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sales of goods and rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Control of the goods or services is transferred over time if the Group's performance: (i) provide all the benefits received and consumed simultaneously by the customer; (ii) create or enhance an asset that the customer controls as the Group performs; or (iii) do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. Significant accounting policies (continued)

(e) Revenue recognition (continued)

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or services. Specific criteria where revenue is recognised are described below:

Sale of goods

Sales of goods are recognised when a group entity has transferred control of the products to the customer, the customer has accepted the products, there is no unfulfilled obligation that could affect the customer's acceptance of the products, the amount of sales can be reliably measured and it is probable that future economic benefits will flow to the entity. Revenue from sales is based on the price specified in the sale contracts, net of estimated volume discounts, if any. Accumulated experience is used to estimate the likelihood and provide for sales return for the goods sold at the time of sale.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Services

Revenue for services rendered is recognised over time, and in accordance with the substance of the relevant agreements.

Other revenues earned by the Group are recognised on the following basis:

- Management fee is recognised when services are rendered.
- Interest income is recognised on an accrual basis using the effective interest method.
- Rental income is accounted for on a straight-line basis over the lease term.

(f) Employee benefits

Short term employee benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave is recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

2. Significant accounting policies (continued)

(f) Employee benefits (continued)

Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(g) Borrowing costs

Borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

(g) Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(h) Income taxes

Current tax

Tax expense represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantively enacted by the reporting date, and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

2. Significant accounting policies (continued)

(h) Income taxes (continued)

Deferred tax (continued)

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(i) Leases

When the Group is the lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use assets are presented within "Property, plant and equipment" and lease liabilities are presented within "Borrowings" in the statement of financial position.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined as follows:

Premises	2 to 3 years

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(o).

2. Significant accounting policies (continued)

(i) Leases (continued)

When the Group is the lessee (continued)

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, or if the Group changes their assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less.

When the Group is the lessor

Leases of investment property where the Group retains a significant portion of the risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) are recognised in the profit or loss on a straight-line basis over the lease term. Contingent rents are recognised as income in the profit or loss when earned.

(j) Property, plant and equipment

Property, plant and equipment are initially recorded at cost less accumulated depreciation and accumulated impairment losses.

Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

2. Significant accounting policies (continued)

(j) Property, plant and equipment (continued)

Recognition and measurement (continued)

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets are recognised in profit or loss.

Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on straight line basis over its estimated useful lives of each component of an item of property, plant and equipment at the following annual rates:

Motor vehicles	20%
Office equipment	20%
Computers	33%
Furniture and fittings	20%
Renovation	20%

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

(k) Investment property

Investment property is property which is owned or held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

2. Significant accounting policies (continued)

(k) Investment property (continued)

Investment property is measured initially at its cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other cost directly attributable to bringing the investment property to a working condition for their intended use.

Investment property is subsequently measured at fair value with any change therein recognised in profit or loss for the period in which they arise.

Fair value gain or loss arising from the reclassification from property, plant and equipment to investment property is recognised in profit or loss.

An investment property is derecognised on its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the items in derecognised.

(l) Inventories

Inventories are stated at lower of cost and net realisable value. Cost is determined on weighted average basis and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(n) Financial instruments

Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

Initial recognition and measurement (continued)

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

Financial instrument categories and subsequent measurement

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes their business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss. Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets.

All financial assets are subject to impairment assessment.

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

Fair value through profit or loss

For debt instruments measured at fair value through profit or loss, the movement in fair values and interest income that is not part of a hedging relationship is recognised in the profit or loss in the period in which it arises. Financial liabilities, at fair value through profit or loss, they are subsequently measured at fair value. Any gains or losses arising from changes are recognised in the profit or loss.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

Financial instrument categories and subsequent measurement (continued)

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the trade date; and

- derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Impairment

The Group recognised loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

Impairment (continued)

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs- represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Simplified approach – trade receivables

The Group applies the simplified approach to provide ECLs for trade receivables as permitted by IFRS 9. The simplified approach required expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where applicable.

General approach – other financial instruments

The Group applies the general approach to provide for ECLs on all other financial instruments, which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward looking information, where available.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

2. Significant accounting policies (continued)

(n) Financial instruments (continued)

Impairment (continued)

The Group considers an event of default for internal credit risk management purposes when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realizing security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Credit impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost is credit impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit impaired includes the observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- The disappearance of an active market for security because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Any recoveries made are recognised in profit or loss.

2. Significant accounting policies (continued)

(o) Impairment of non-financial assets

Property, plant and equipment and investments in subsidiaries, are reviewed for impairment whenever there is any indication or objective evidence that these assets may be impaired. The recoverable amount (i.e. the higher of the fair value less cost of disposal and the value-in-use) of the asset is estimated in order to determine the extent of impairment loss (if any), on an individual asset.

For the purpose of impairment testing of these assets, the recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss for an asset is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to the profit or loss.

(p) Derivatives that are disqualified or do not qualify for hedge accounting

Derivative financial instruments such as foreign exchange forward contracts are used to hedge risks associated with foreign currency fluctuations arising from the long-term loan exposure of foreign subsidiaries. These derivative financial instruments, while providing economic hedges, are not used for trading purposes.

Derivative financial instruments are recognised initially at fair value on the date the contracts are entered into and are subsequently re-measured to fair value at each reporting date. The gain or loss on re-measurement to fair value of derivative financial instruments that are disqualified or do not qualify for hedging accounting is recognised immediately in the consolidated income statement. Derivative financial instruments are carried as financial derivative assets when the fair value is positive and as financial derivative liabilities when the fair value is negative.

2. Significant accounting policies (continued)

(q) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the reporting date are included in current borrowings even though the original term was for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting date and before the financial statements are authorised for issue. Borrowings due to be settled more than twelve months after the reporting date are presented as non-current borrowings in the statement of financial position.

(r) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(s) Contingencies

A contingent liability and assets are a possible obligation or asset that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities and assets are not recognised in the statements of financial position of the Group.

(t) Government grant

The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Government grant relating to the acquisition of assets are classified as non-current are amortised to the profit or loss over the expected lives of the related assets, on basis consistent with the depreciation of the related assets.

(u) Equity instrument

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of their liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

2. Significant accounting policies (continued)

(v) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

(w) Fair value estimation

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. Critical accounting estimates, assumptions and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management has taken into consideration whether there are indications that any assets may be impacted adversely. If any such indication exists, an estimate will be made on the realisable amount and/or fair value of the relevant assets.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3. Critical accounting estimates, assumptions and judgements (continued)

Critical accounting estimates and assumptions

(a) Loss allowance for receivables

The Group measures the loss allowance for receivables in accordance with the accounting policy as disclosed in Note 2(n). In making this estimation and judgement, the Group evaluates, among other factors, the ageing analysis of receivables, the financial health and collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, changes in macro-economic indicators etc. At the end of the reporting period, historical default rates are updated and changes in the forward-looking estimates are analysed.

As at the reporting date, the carrying amounts of the Group's trade and other receivables are set out in Note 10 and Note 11 to the financial statements. The information about the expected credit losses on the Group's trade and other receivables are disclosed in Note 10 and Note 25(a) to the financial statements. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

(b) Write down of inventories

The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated selling expenses. These estimates are based on current market conditions and the historical experience of selling products of a similar nature. It could change significantly as a result of changes in end consumer demand and competitor actions in response to changes in market conditions. Management reassesses these estimates at each reporting period.

Inventory items identified to be obsolete and unusable are also written off and charged as expenses. The Group provided for allowances for inventories obsolescence. The write-off, recovery of inventories, allowances and write-back of inventory obsolescence are set out in Note 4, Note 6 and Note 12 to the financial statements.

As at the reporting date, the carrying amounts of inventories are set out in Note 12 to the financial statements.

4. Revenue

Revenue represents gross invoiced value of goods supplied to customers net of returns and discounts.

The Group mainly focuses in the business of distributing information technology computer peripheral parts, software and related products and its subsidiary is in the business of trading and distributing fast moving consumer goods ("FMCGs") via the e-commerce platforms and brick and mortar retail. Revenue recognition is based on point in time which is delivery of the goods to customer and requires acknowledgement from the customer on the goods that have been accepted.

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4. Revenue (continued)

	GROUP		
	2020	2021	2022
	USD	USD	USD
Sales of goods	37,465,289	55,031,767	37,244,261
Other income	749,173	764,812	919,008
Interest income	10,609	10,251	5,342
	38,225,071	55,806,830	38,168,611
Performance obligations satisfied at a point in time			
Sales of goods:			
-Consumer products	37,465,289	55,031,767	37,244,261
Other operating income:			
Incentive income received	478,124	594,477	304,283
Foreign exchange gain, unrealised	142,912	–	222,549
Foreign exchange gain, realised	61,116	–	–
Gain on disposal of property, plant and equipment	–	–	11,841
Gain on modification of lease	350	–	–
Government grants received	27,180	–	–
Office rental income	977	–	3,279
Reversal of impairment loss on receivables	53	–	18,260
Write-back allowances for inventories obsolescence	31,551	164,638	–
Write-back of inventories written off	–	–	596
Gain on disposal of a subsidiary	–	–	356,633
Others	6,910	5,697	1,567
	749,173	764,812	919,008
Interest income:			
- bank balances	8,942	10,251	5,342
- trade balances	1,667	–	–
	10,609	10,251	5,342

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5. Finance expenses

	GROUP		
	2020	2021	2022
	USD	USD	USD
Interest expenses:			
- bankers' acceptances	177,219	87,646	221,749
- resolving credit	11,192	8,414	10,052
- letter of credit (ultimate holding company)	29,048	29,368	28,045
- lease liabilities	2,987	8,810	5,817
	220,446	134,238	265,663

6. Profit/(loss) before income tax

	GROUP		
	2020	2021	2022
	USD	USD	USD
This is arrived at after charging			
Auditors' remuneration – statutory audit	10,461	14,030	14,346
Allowance for inventories obsolescence	–	1,576	203,796
Depreciation of property, plant and equipment	90,466	129,979	120,085
Employee benefits expense (Note a)	589,784	742,973	535,275
Fair value loss on investment property	–	2,419	4,554
Property, plant and equipment written off	561	–	–
Foreign exchange loss, unrealised	–	143,123	–
Foreign exchange loss, realised	–	135,534	372,610
Derivatives financial instruments	–	–	209,490
Impairment loss on trade and other receivables	26,031	62,253	–
Impairment loss on amount due from related companies	–	24,382	–
Write off prepayment	–	–	434,953
Inventories – cost of inventories recognised in cost of sales	35,746,078	52,455,440	39,184,422
Inventories written off	66,965	17,154	–
Management fees	445,455	547,829	530,991
Rental of premises	17,165	–	–

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6. Profit/(loss) before income tax (continued)

(b) Employee benefits expense comprise:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Staff costs:			
Salaries, wages, bonus, allowances and overtime	411,664	524,537	426,010
Contributions to defined contribution plan	60,877	71,227	69,485
Social security contributions	4,766	5,343	5,428
Other employee benefits	112,477	141,866	34,352
Total employee benefits expense	589,784	742,973	535,275

7. Income tax expenses

	GROUP		
	2020	2021	2022
	USD	USD	USD
Current income tax:			
- Current year	2,853	3,337	2,497
- Over provision in prior year	–	(76)	(827)
	2,853	3,261	1,670
Deferred tax:			
- Relating to reversal of temporary differences	–	–	(232)
-Under provision in prior year	–	–	232
	–	–	–

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the respective financial years.

7. Income tax expenses (continued)

The tax reconciliation from the tax amount at statutory income tax rate to the Group's tax expense is as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Profit/(loss) before tax	730,452	1,854,905	(847,797)
Tax calculated at a tax rate of 24%	175,308	445,177	(203,471)
Income not subject to tax	(7,500)	–	(85,592)
Expenses not deductible for tax purposes	59,955	35,777	121,326
Over provision of income tax in prior year	–	(76)	(827)
Under provision of deferred tax in prior year			232
Deferred tax assets not recognised	–	–	170,002
Utilisation of previously unrecognised deferred tax assets	(224,910)	(477,617)	–
Tax expense for the financial years	2,853	3,261	1,670

The Group has the following items available for set-off against future taxable profits:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Unutilised tax losses	2,822,037	955,832	1,630,892
Unabsorbed capital allowances	903	–	2,414

The unutilised tax losses in a Year of Assessment ("YA") of the Group can only be carried forward for a maximum period of 10 consecutive YAs to be utilised against income from any business source.

8. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share amounts are calculated by dividing profit/(loss) for the year attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the financial years as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Net profit/(loss) attributable to equity holders of the Company	727,599	1,851,644	(849,467)
Weighted average number of ordinary shares outstanding for basic earnings/(loss) per share	20,356,157	20,356,157	20,356,157
Basic earnings/(loss) per share (USD)	0.04	0.09	(0.04)

(b) Diluted earnings per share

For the purpose of calculating diluted earnings/(loss) per share, net profit/(loss) attributable to equity holders of the Company and the weighted average number of ordinary shares in issue (excluding treasury shares) are adjusted for the effects of all potential dilutive ordinary shares.

There are no potential dilutive ordinary shares during the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022. Accordingly, the diluted earnings/(loss) per share is computed to be the same as the basic (loss)/earnings per share for the financial year ended 31 December 2020, 31 December 2021 and 31 December 2022.

9. Cash and cash equivalents

	GROUP		
	2020	2021	2022
	USD	USD	USD
Cash at bank	2,409,181	1,448,123	1,342,506
Cash on hand	497	479	454
	2,409,678	1,448,602	1,342,960

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10. Trade and other receivables

	GROUP		
	2020	2021	2022
	USD	USD	USD
Current			
Trade receivables	5,172,272	6,537,283	6,405,643
Less: Loss allowances	(320,739)	(370,862)	(333,252)
Net trade receivables	4,851,533	6,166,421	6,072,391
Other receivables	189,257	83,998	183,344
Deposits	117,879	66,370	62,938
Prepayments	45,204	464,525	516,395
	352,340	614,893	762,677
Total current	5,203,873	6,781,314	6,835,068
Non-current			
Trade receivables	68,761	8,798	–
Total non-current and current	5,272,634	6,790,112	6,835,068

The movements in the allowance for impairment loss for trade receivables are as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Balance at 1 January	288,428	320,739	370,862
Additions	26,031	62,253	–
Reversal	(53)	–	(18,260)
Currency translation differences	6,333	(12,130)	(19,350)
Balance 31 December	320,739	370,862	333,252

The normal credit terms of trade receivables range from 30 to 60 days.

The non-current portion of trade receivables were unsecured, interest free and fully repaid by the customer during financial year ended 31 December 2022.

During the financial year ended 31 December 2022, the Group wrote off an amount of USD434,953 on Prepayment prior to the disposal of the subsidiary in the same year.

11. Amounts due from subsidiary, related companies and immediate holding company

	GROUP		
	2020	2021	2022
	USD	USD	USD
Amount due from immediate holding company			
- Non-trade	–	–	111,235
Amounts due from related companies			
- Trade	15,044	789,264	40,362
- Non-trade	9,186	5,121	2,823
	24,230	794,385	43,185
Loss allowance	–	(24,146)	(22,882)
	24,230	770,239	20,303
Total	24,230	770,239	131,538

The movements in the allowance for impairment loss are as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Balance at 1 January	–	–	24,146
Additions	–	24,382	–
Disposal of a subsidiary	–	–	–
Currency translation differences	–	(236)	(1,264)
Balance at 31 December	–	24,146	22,882

The non-trade amounts due from subsidiary, related companies and immediate holding company are unsecured, non-interest bearing and repayable on demand. The trade amounts due from related companies are unsecured with a credit term granted of 30 to 60 days.

12. Inventories

	GROUP		
	2020	2021	2022
	USD	USD	USD
Finished goods	4,733,338	5,516,504	6,855,793

The movements in the provision for inventories are as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Balance at 1 January	252,453	223,996	54,467
Additions	–	1,576	203,796
Reversal	(31,551)	(164,638)	–
Disposal of a subsidiary	–	–	(1,484)
Currency translation differences	3,094	(6,467)	(3,470)
Balance at 31 December	223,996	54,467	253,309

Inventory items identified to be obsolete and unusable are also written off and charged as expenses amounting to USD66,965 and USD17,154 for the Group for financial years ended 31 December 2020 and 31 December 2021 respectively. During financial year ended 31 December 2022, the Group recorded a recovery of USD596 to profit or loss as the inventories were sold above net realisable value.

13. Investment in a subsidiary

The Company incorporated a wholly-owned Malaysia subsidiary, Straitsmart Sdn Bhd, with a paid up capital of RM 1 on 29 June 2020. The principal activity of the subsidiary is that of sales of fast-moving consumer goods.

On 23 December 2022, the Company entered into a Sale and Purchase Agreement ("Agreement") to dispose 100.0% equity interest in Straitsmart Sdn. Bhd at a consideration of RM 1. The transfer of shares has been completed on 12 January 2023. Management are of the view that the Company ceased to have control of the subsidiary during the financial year ended 31 December 2022 and accordingly the investment in subsidiary has been de-recognised as at 31 December 2022.

13. Investment in a subsidiary (continued)

The summary of the effect of the disposal on the financial position of the Group are as follows:

	GROUP
	2022
	USD
Property, plant and equipment	168
Inventories	3
Trade receivables	161
Due from a related company	772,452
Tax recoverable	320
Cash and cash equivalents	414
Other payables	(2,368)
Amount due to a related company	(1,127,783)
	356,633
Gain on sale of sale of a disposed subsidiary	(356,633)
Total cash consideration received	*
Less: Cash and cash equivalents of the subsidiary at disposal date	(414)
	(414)

* equivalent to RM 1

14. Property, plant and equipment

Right-of-use assets acquired under leasing arrangement are presented together with the owned assets of the same class. During the financial years ended 31 December 2020 and 31 December 2021, the Group's additions to property, plant and equipment included USD97,621 of right-of-use assets acquired under leasing arrangements.

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14. Property, plant and equipment (continued)

	GROUP						
	Premises	Motor vehicles	Office equipment	Computers	Furniture and fittings	Renovation	Total
	USD	USD	USD	USD	USD	USD	USD
2020							
Cost							
At 1 January	214,780	38,364	44,052	100,547	59,609	84,741	542,093
Additions	224,278	–	178	4,514	–	53,710	282,680
Written off	–	–	–	–	–	(4,042)	(4,042)
Modifications	(121,201)	–	–	–	–	–	(121,201)
Translation reserve	8,495	686	796	2,002	1,066	3,758	16,803
At 31 December	326,352	39,050	45,026	107,063	60,675	138,167	716,333
Less: Accumulated depreciation							
At 1 January	112,587	35,200	41,920	99,674	58,612	70,013	418,006
Charge for the financial year	77,184	3,080	680	1,579	268	7,675	90,466
Written off	–	–	–	–	–	(3,481)	(3,481)
Modifications	(102,730)	–	–	–	–	–	(102,730)
Translation reserve	861	770	781	1,854	1,062	1,439	6,767
At 31 December	87,902	39,050	43,381	103,107	59,942	75,646	409,028
Net carrying amount							
At 31 December	238,450	–	1,645	3,956	733	62,521	307,305

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14. Property, plant and equipment (continued)

	GROUP						
	Premises	Motor vehicles	Office equipment	Computers	Furniture and fittings	Renovation	Total
	USD	USD	USD	USD	USD	USD	USD
2021							
Cost							
Balance at 1 January	326,352	39,050	45,026	107,063	60,675	138,167	716,333
Additions	97,621	–	266	2,097	2,132	–	102,116
Written off	–	–	–	(581)	–	–	(581)
Expiry of lease	(38,760)	–	–	–	–	–	(38,760)
Translation reserve	(12,298)	(1,403)	(1,620)	(3,861)	(2,200)	(4,965)	(26,347)
At 31 December	372,915	37,647	43,672	104,718	60,607	133,202	752,761
Less: Accumulated depreciation							
Balance at 1 January	87,902	39,050	43,381	103,107	59,942	75,646	409,028
Charge for the financial year	107,866	–	666	2,141	564	18,742	129,979
Written off	–	–	–	(581)	–	–	(581)
Expiry of lease	(38,760)	–	–	–	–	–	(38,760)
Translation reserve	(3,829)	(1,403)	(1,565)	(3,718)	(2,159)	(2,901)	(15,575)
At 31 December	153,179	37,647	42,482	100,949	58,347	91,487	484,091
Net carrying amount							
Balance at 31 December	219,736	–	1,190	3,769	2,260	41,715	268,670

14. Property, plant and equipment (continued)

	GROUP						
	Premises	Motor vehicles	Office equipment	Computers	Furniture and fittings	Renovation	Total
	USD	USD	USD	USD	USD	USD	USD
2022							
Cost							
Balance at 1 January	372,915	37,647	43,672	104,718	60,607	133,202	752,761
Additions	–	–	–	622	–	–	622
Disposal	–	(18,076)	–	–	–	–	(18,076)
Disposal of a subsidiary	–	–	–	(865)			(865)
Expiry of lease	(47,781)	–	–	–	–	–	(47,781)
Translation reserve	(19,368)	(1,914)	(2,285)	(5,479)	(3,172)	(6,970)	(39,188)
At 31 December	305,766	17,657	41,387	98,996	57,435	126,232	647,473
Less: Accumulated depreciation							
Balance at 1 January	153,179	37,647	42,482	100,949	58,347	91,487	484,091
Charge for the financial year	102,235	–	649	2,186	598	14,417	120,085
Disposal	–	(18,076)	–	–	–	–	(18,076)
Disposal of a subsidiary	–	–	–	(697)			(697)
Expiry of lease	(47,618)	–	–	–	–	–	(47,618)
Translation reserve	(8,183)	(1,914)	(2,225)	(5,287)	(3,055)	(4,833)	(25,497)
At 31 December	199,613	17,657	40,906	97,151	55,890	101,071	512,288
Net carrying amount							
Balance at 31 December	106,153	–	481	1,845	1,545	25,161	135,185

15. Investment property

	GROUP		
	2020	2021	2022
	USD	USD	USD
Leasehold building, at fair value			
Balance at 1 January	–	131,693	124,566
Addition	126,007	–	–
Fair value change	–	(2,419)	(4,554)
Translation reserve	5,686	(4,708)	(6,505)
Balance at 31 December	131,693	124,566	113,507

Fair value is determined through the comparison method using Level 2 inputs in the fair value hierarchy of IFRS 13 *Fair Value Measurement*.

15. Investment property (continued)

The investment property was purchased during financial year ended 31 December 2020. The fair value of the above investment property was estimated based on valuation by an independent registered valuer at reporting dates, which was based on market evidence of transaction prices for similar properties and, in which certain values are adjusted for differences in key attributes such as property size, time and location under the comparison method.

The Group uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

Changes in fair value are recognised in the profit or loss during the reporting period in which they are reviewed.

The following amounts are recognised in profit or loss:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Rental income	(977)	–	(3,279)
Direct operating expenses			
-investment property generate income	14	–	195
-Investment property that do not generate rental income	–	13	–

The Group leases out its investment property to non-related third parties under non-cancellable operating leases. As at the reporting date, undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Within one year	–	–	4,372
Within 2-5 years	–	–	1,093

16. Trade and other payables

	GROUP		
	2020	2021	2022
	USD	USD	USD
Trade payables	24,301	49,621	746,063
Other payables	314,854	292,618	448,626
Accruals	133,574	168,726	95,134
Derivatives financial instruments	–	–	208,848
	472,729	510,965	1,498,671

16. Trade and other payables (continued)

The normal trade credit terms granted to the Group range from 30 to 45 days.

The Group used foreign exchange forward contracts to manage exposures to currency risks arising from assets and liabilities denominated in Malaysian Ringgit. As at 31 December 2022, the outstanding non-derivative financial instruments comprised of foreign exchange forward contracts with contract notional amount of USD3,464,665 and fair value liabilities of USD208,848. The range of the contractual rates to buy or sell United States Dollar against Malaysian Ringgit (RM) are within RM 4.5050 to RM 4.7450. These foreign exchange forward contracts have maturitydates within two months from 31 December 2022 and were closed upon maturity subsequent to the financial year.

17. Amounts due to ultimate, immediate holding company and related companies

	GROUP		
	2020	2021	2022
	USD	USD	USD
Amount due to ultimate holding company			
- Non-trade	620,511	101,852	387,244
Amounts due to immediate holding company			
- Trade	3,057,445	2,506,615	4,315,870
- Non-trade	1,464,558	1,652,805	–
	4,522,003	4,159,420	4,315,870
Amount due to related companies			
- Trade	3,280,560	2,578,458	1,919,193
- Non-trade	42,670	99,835	168,694
	3,323,230	2,678,293	2,087,887
Total	8,465,744	6,939,565	6,791,001

The non-trade amounts due to the ultimate and immediate holding company and related companies are unsecured, interest free, and repayable on demand.

The trade amounts due to the immediate holding company are unsecured, interest free and are repayable on demand. The trade amounts due to related companies are unsecured, interest free and have credit term of 30 to 90 days.

18. Borrowings

	GROUP		
	2020	2021	2022
	USD	USD	USD
Current			
Bankers' acceptances	2,848,801	4,590,010	5,345,743
Revolving credit	248,478	239,550	227,015
Lease liabilities	86,861	107,282	98,903
	3,184,140	4,936,842	5,671,661
Non-current			
Lease liabilities	152,353	115,505	10,558
Total	3,336,493	5,052,347	5,682,219

The Group regularly monitors its compliance with the covenants and are up to date with the scheduled repayments of the borrowings. As at the reporting date, the Group has not met the covenants on the borrowings outstanding with a financial institution, which have the right to call for the immediate repayment of the outstanding bankers' acceptances and revolving credit borrowings. These bank facilities are secured by corporate guarantee of the immediate holding company and a related company. The bank facilities are also secured by a bank's standby letter of credit. As at 12 April 2023, the financial institution has reviewed and agreed to continue extending the banking facilities to the Company until the next review.

Interest rates per annum at the reporting date for the bank borrowings are as follows:

	GROUP		
	2020	2021	2022
	%	%	%
Bankers' acceptances	3.86 - 3.90	3.90 - 3.99	4.98-5.58
Revolving credit	3.94	3.94 - 3.95	3.94-3.95
Lease liabilities	3.83-4.52	2.95 - 4.52	2.95-3.83

19. Lease liabilities

The Group as the lessee

The Group has made periodic lease payments for buildings for the purpose of office usage. These are recognised within property, plant and equipment (Note 14). The lease liabilities of the Group are disclosed in Note 18 to the financial statements.

The carrying amounts of right-of-use assets classified within property, plant and equipment are as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Premises	238,450	219,736	106,153

The expenses charged to profit and loss during the financial year are as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Depreciation of premises	77,184	107,866	102,235
Interest expense on lease liabilities	2,987	8,810	5,817
Expenses relating to short term leases	17,165	–	–
Total cash flows for leases (excludes short-term leases)	(82,389)	(114,339)	(107,635)

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20. Changes in liabilities arising from financing activities

	GROUP				
	Bank borrowings	Lease liabilities	Amount due to ultimate holding company	Amount due to/(from) immediate holding company	Amount due to related companies
	USD	USD	USD	USD	USD
2020					
At 1 January 2020	4,601,489	105,581	371,134	771,973	15,516
Proceeds/Advances	19,056,846		248,951	670,065	21,612
Repayment	(20,574,880)	(82,389)	–	–	–
Non-cash changes					
Additions	–	224,278	–	–	
Modifications	–	(18,821)	–	–	
Interest expense	–	2,987	–	–	
Currency translation differences	13,824	7,578	426	22,520	5,542
At 31 December 2020	3,097,279	239,214	620,511	1,464,558	42,670
2021					
At 1 January 2021	3,097,279	239,214	620,511	1,464,558	42,670
Proceeds/Advances	15,466,860	–	302,820	189,526	64,836
Repayment	(13,605,225)	(114,339)	(818,468)	–	(6,833)
Non-cash changes					
Additions	–	97,621	–	–	–
Interest expense	–	8,810	–	–	–
Currency translation differences	(129,354)	(8,519)	(3,011)	(1,279)	(838)
At 31 December 2021	4,829,560	222,787	101,852	1,652,805	99,835
2022					
At 1 January 2022	4,829,560	222,787	101,852	1,652,805	99,835
Proceeds/Advances	22,759,649	–	297,563	209,537	69,990
Repayment	(21,760,674)	(107,635)	(9,852)	(800,551)	(1,013)
Non-cash changes					
Disposals	–	(163)	–	–	–
Assignment of amount owing from a related company	–	–	–	(1,145,974)	–
Interest expense	–	5,817	–	–	–
Currency translation differences	(255,777)	(11,345)	(2,319)	(27,052)	(118)
At 31 December 2022	5,572,758	109,461	387,244	(111,235)	168,694

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21. Share capital

	GROUP					
	Issued number of ordinary shares			Total share capital		
	2020	2021	2022	2020	2021	2022
	Number	Number	Number	USD	USD	USD
Issued and fully paid ordinary shares	20,356,157	20,356,157	20,356,157	5,647,663	5,647,663	5,647,663

The holder of ordinary shares is entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Group's residual interest.

22. Intangible assets

	GROUP		
	2020	2021	2022
	USD	USD	USD
Software			
Cost			
Balance at 1 January	65,807	66,984	64,578
Currency translation differences	1,177	(2,406)	(3,380)
Balance at 31 December	66,984	64,578	61,198
Less: Accumulated amortisation			
Balance at 1 January	65,807	66,894	64,578
Currency translation differences	1,177	(2,406)	(3,380)
Balance at 31 December	66,984	64,578	61,198
Net carrying value	–	–	–

23. Deferred income tax

Deferred income tax assets and liabilities are offset when there is a legally enforcement right to set off current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts determined after appropriate offsetting, are shown on the statements of financial position as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Recovered/settled after one year			
- Deferred income tax assets	(9,716)	(11,659)	(44,577)
- Deferred income tax liabilities	9,716	11,659	44,577
	–	–	–

This is in respect of estimated deferred tax (assets)/liabilities arising from temporary differences as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Deferred tax assets			
Unutilised tax losses and unabsorbed capital allowances	(3,813)	(1,921)	–
Difference between right-of-use assets, lease liabilities and their tax bases	–	–	(794)
Difference between investment property and its tax base	–	–	(1,635)
Deductible temporary differences in respect of expenses	(5,903)	(9,738)	(42,148)
	(9,716)	(11,659)	(44,577)
Deferred tax liabilities			
Difference between property, plant and equipment and their tax bases	9,492	9,813	10,378
Unrealised foreign exchange gain	224	1,846	34,199
	9,716	11,659	44,577
	–	–	–

In addition to the unutilised tax losses and unabsorbed capital allowances as disclosed in Note 7 to the financial statements, the other deductible temporary differences of the Group are USD 518,599, USD380,818, USD412,202 for the respective financial years ended 31 December 2020 31 December 2021 and 31 December 2022.

24. Related party disclosures

A related party is a person or entity who is related to the entity that is preparing its financial statements ("reporting entity").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity and (b) an entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related companies in these financial statements refer to members of the Serial System Ltd's group of companies.

(a) Sales and purchases of goods and services

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties during the financial year at terms agreed between the parties:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Ultimate holding company			
- Sales	–	–	(942)
- Finance expenses (letter of credit)	29,048	29,368	28,045
- Management fee expenses	219,903	273,452	254,975
Immediate holding company			
- Sales	–	–	(62,608)
- Purchases	18,864,856	30,928,956	24,988,573
- Management fee expenses	225,552	209,425	206,026
Related companies			
- Sales	–	–	(16,743)
- Purchases	13,892,154	16,416,420	13,046,618
- Management fee expenses	–	64,952	69,990

24. Related party disclosures (continued)

(b) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise all the Directors of the Company.

There is no remuneration paid by the Group to key management personnel during the financial year. The remuneration of the key management personnel is paid by the immediate and ultimate holding companies.

25. Financial risk management

The Group's activities expose them to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The directors of the Company provide guidelines for overall risk management. Management reviews and agrees on policies for managing the various financial risks.

	GROUP		
	2020	2021	2022
	USD	USD	USD
Financial assets, at amortised cost:			
Cash and cash equivalents	2,409,678	1,448,602	1,342,960
Trade and other receivables	5,227,430	6,325,587	6,318,673
Amount due from related companies and immediate holding company	24,230	770,239	131,538
	7,661,338	8,544,428	7,793,171
Financial liabilities, at amortised costs:			
Trade and other payables	472,729	510,965	1,289,823
Borrowings	3,336,493	5,052,347	5,682,219
Amounts due to ultimate, immediate and related companies	8,465,744	6,939,565	6,791,001
	12,274,966	12,502,877	13,763,043
Financial liabilities, at fair value through profit or loss:			
Derivatives financial instruments	–	–	208,848

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Group's major classes of financial assets are cash and cash equivalents, trade and other receivables, and amounts due from subsidiary and related companies.

25. Financial risk management (continued)

(a) Credit risk (continued)

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's association to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

As at 31 December 2020, 31 December 2021, 31 December 2022, the Group has major concentration of credit risk arising from 2, 2, 2 customers that represented 27%, 27%, 28% respectively of the net trade receivables of the Group.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective heads of operation and finance department and at the holding company level by the corporate finance and management team.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position,

The internal credit risk grading which is used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss
(i) Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
(ii) Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 30 days past due)	Lifetime ECL (not credit impaired)
(iii) Non-performing	There is evidence indicating that the asset is credit impaired (i.e. interest and/or principal repayment are more than 90 days past due)	Lifetime ECL (credit impaired)
(iv) Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayment are more than 180 days past due)	Asset is written off

Except as disclosed in the financial statements, the Group has no under-performing and non-performing financial assets. The credit quality of the Group's financial assets, as well as maximum exposure to credit risk rating rates are presented as follows:

25. Financial risk management (continued)

(a) Credit risk (continued)

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected credit loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Cash and cash equivalents are entered into with bank and financial institution counterparties, assessed as low credit risks and rated Ba1 to Aa1, based on rating agency's ratings. The amount of impairment allowance on cash and cash equivalents is immaterial. The gross and net carrying amount of cash and cash equivalents are set out in Note 9 to the financial statements.

Other receivables, amounts due from a subsidiary and related companies

For other receivables, the Group categorised them as performing debts where the counterparties have a low risk of default and do not have any past-due amounts. The loss allowance is measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures. The gross and net carrying amounts of other receivables are set out in Note 10 and Note 11 to the financial statements. The movements in the allowance for impairment loss on amount due from a subsidiary and related companies are set out in Note 11 to the financial statements.

Trade receivables

The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables carried at amortised cost. The expected credit loss rates are based on the payment profiles of sales over a period of 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the unemployment rate of the countries in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical credit loss rates based on expected changes in this factor.

For individual assessment, it is due to the number of debtors is minimal and these debtors can be individually managed by the Group in an effective and efficient manner. The Group has reasonable and supportable information available to assess the impairment individually.

For collective assessment, the Group determines the expected credit losses by using a provision matrix for collective assessed receivables which are grouped together based on shared credit risk characteristics and the number of days past due which have similar risk characteristics.

25. Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at reporting date which are grouped together as they are expected to have similar risk nature.

	GROUP		
	2020	2021	2022
	USD	USD	USD
Within credit terms - Current	2,463,913	3,138,938	3,800,947
Past due:			
1 to 30 days	1,890,555	1,999,114	1,943,207
31 days to 60 days	371,900	894,304	294,513
61 days to 90 days	–	12,111	35,500
Over 90 days	514,665	501,614	331,476
	5,241,033	6,546,081	6,405,643
Less: Loss allowance			
Collectively impaired	(12,811)	(22,590)	(7,744)
Individually impaired	(307,928)	(348,272)	(325,508)
Net amount	4,920,294	6,175,219	6,072,391

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses. Subsequent recovery of amounts previously written off is credited against the same line item.

The movements in the allowance for impairment loss on amount due from a subsidiary and related companies are set out in Note 10 to the financial statements.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

25. Financial risk management (continued)

(b) Interest rate risk (continued)

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Floating rate instruments:			
Bankers' acceptances	2,848,801	4,590,010	5,345,743
Revolving credit	248,478	239,550	227,015
	3,097,279	4,829,560	5,572,758

The following table details the sensitivity analysis to its results for the financial year, to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Effects on results net of tax			
Increase of 10 basis points	(2,354)	(3,670)	4,235
Decrease of 10 basis points	2,354	3,670	(4,235)
Effects on equity			
Increase of 10 basis points	(2,354)	(3,670)	(4,235)
Decrease of 10 basis points	2,354	3,670	4,235

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations associated with financial liabilities. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Group's financial liabilities at reporting date comprise trade and other payables, amounts due to immediate holding company, related companies and ultimate holding company, borrowings and lease liabilities which are payable on demand or due within one year to more than two years.

25. Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted repayment of obligations:

	GROUP			
	Carrying amount	Contractual cash flows	Less than 1 year	1-5 years
	USD	USD	USD	USD
2020				
Financial liabilities:				
Trade and other payables	472,729	472,729	472,729	–
Amount due to ultimate, immediate holding company and related companies	8,465,744	8,465,744	8,465,744	–
Borrowings	3,336,493	3,352,592	3,194,336	158,256
	12,274,966	12,291,065	12,132,809	158,256
2021				
Financial liabilities:				
Trade and other payables	510,965	510,965	510,965	–
Amount due to ultimate, immediate holding company and related companies	6,939,565	6,939,565	6,939,565	–
Borrowings	5,052,347	5,063,357	4,945,552	117,805
	12,502,877	12,513,887	12,396,082	117,805
2022				
Financial liabilities:				
Trade and other payables (excluding derivatives)	1,289,823	1,289,823	1,289,823	–
Derivatives financial instruments	208,848	208,848	208,848	–
Amount due to ultimate, immediate holding company and related companies	6,791,001	6,791,001	6,791,001	–
Borrowings	5,682,219	5,686,853	5,676,230	10,623
	13,971,891	13,976,525	13,965,902	10,623

25. Financial risk management (continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in currencies other than their functional currency, primarily United States Dollar ("USD") and Singapore Dollar ("SGD"). Foreign currencies denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Group holds cash and cash equivalents denominated in foreign currencies to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

Foreign exchange exposures in transactional currencies other than functional currency of Group are kept to an acceptable level.

The net unhedged financial assets and liabilities of the Group that are not denominated in the functional currency are as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Denominated in USD			
Financial assets:			
Amounts due from related companies	24,071	770,239	20,158
Cash and cash equivalents	110,248	66,929	27,186
Trade and other receivables	11,639	539,099	21,214
	145,958	1,376,267	68,558
Financial liabilities:			
Amount due to ultimate holding company	(620,511)	(101,852)	(387,244)
Amount due to immediate holding company	(4,520,300)	(4,159,423)	(4,150,525)
Amounts due to related companies	(3,323,003)	(2,678,293)	(2,060,647)
Trade payables	(24,301)	(49,621)	(746,063)
Other payables	(52,500)	–	–
Net exposure	(8,394,657)	(5,612,922)	(7,275,921)
Denominated in SGD			
Financial liabilities:			
Amount due to immediate holding company	(1,703)	–	(54,110)
Amounts due to related companies	(23,163)	(222)	(27,240)
Net exposure	(24,866)	(222)	(81,350)

25. Financial risk management (continued)

(d) Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Effects on results before tax:			
USD/RM			
Strengthened by 5%	(419,744)	(280,646)	363,796
Weakened by 5%	419,744	280,646	(363,796)
SGD/RM			
Strengthened by 5%	(1,243)	(11)	4,067
Weakened by 5%	1,243	11	(4,067)

(e) Capital management

The Group manages their capital to ensure that the Group will be able to maintain an optimal capital structure so as to support their business and maximise shareholder value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages their capital based on debt-to-equity ratio. Net debt includes borrowings and cash and cash equivalents whilst total capital is the equity attributable to the owner of the Group.

The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as follows:

	GROUP		
	2020	2021	2022
	USD	USD	USD
Borrowings (less lease liabilities)	3,097,279	4,829,560	5,572,758
Less: Cash and cash equivalents	(2,409,678)	(1,448,602)	(1,342,960)
Total net debts	687,601	3,380,958	4,229,798
Total equity attributable to the owner of the Company	605,433	2,417,358	1,444,255
Debt to equity ratio	1.14	1.40	2.93

25. Financial risk management (continued)

(e) Capital management (continued)

There were no changes in the Group's approach to capital management during the financial year. Other than as disclosed in the financial statements, the Group is in compliance with all externally imposed capital requirements.

26. Fair values of assets and liabilities

The Group measured its investment property at fair value as at reporting date, based on Level 2 fair value measurements, as disclosed in Note 15 to the financial statements.

There was no transfer between Level 1, Level 2 and Level 3 during the respective financial years.

The fair values of borrowings and lease liabilities are estimated using discounted expected future cash flows at market incremental lending rate for similar type borrowings or leasing arrangements at the reporting date.

The carrying amounts of other financial assets and liabilities recognised as at the reporting date with maturity of less than one year approximate their fair values due to their short-term maturities.

27. Segment reporting

Management has determined the Group as one reportable segment as the Group is only involved in the distribution and marketing of information technology computer peripheral parts, software and related products.

Revenue from external customers are attributed to the regions based on the customers' country of origin.

	GROUP		
	2020	2021	2022
	USD	USD	USD
Malaysia	37,465,289	55,031,767	37,244,261

As at 31 December 2022, the Group has 4 (2021: 5 2020: 5) customers each accounting for more than 5% (2021: 5% 2020: 5%) of the Group's total revenue.

ACHIEVA TECHNOLOGY SDN. BHD.

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD

ENDED 30 JUNE 2023

APPENDIX C – INDEPENDENT AUDITORS' REVIEW REPORT ON THE UNAUDITED INTERIM CONDENSED FINANCIAL STATEMENTS OF THE TARGET COMPANY FOR THE FINANCIAL PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD ENDED JUNE 2023

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ACHIEVA TECHNOLOGY SDN. BHD

STATEMENT BY DIRECTORS
UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTHS PERIOD ENDED JUNE 2023

In the opinion of the directors,

(a) the unaudited condensed interim financial statements of Achieva Technology Sdn. Bhd. (the "Company"), which included the condensed statement of financial position as of 30 June 2023 and the related condensed statement of profit or loss and comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed interim financial information") are prepared and presented in accordance with International Accounting Standard, Interim Financial Reporting ("IAS 34"); and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Sim Mong Keang Kenny

Yap Wai Fong Ellen

27 December 2023

INDEPENDENT AUDITOR'S REVIEW REPORT ON UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS OF ACHIEVA TECHNOLOGY SDN. BHD FOR THE SIX-MONTHS PERIOD ENDED JUNE 2023

The Board of Directors
Achieva Technology Sdn. Bhd.
10th Floor, Menara Hap Seng, No 1 & 3,
Jalan P. Ramlee, 50250 Kuala Lumpur

Introduction

We have reviewed the accompanying condensed statement of financial position of Achieva Technology Sdn. Bhd. (the "Company") as of 30 June 2023 and the related condensed statement of profit or loss, condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the six-months period then ended, and a summary of significant accounting policies and other explanatory notes (the "condensed interim financial information"). Management is responsible for the preparation and presentation of the condensed interim financial information in accordance with International Accounting Standard 34, "Interim Financial Reporting" (IAS 34). Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with IAS 34.

Other Matter

Other than the Company statement of financial position as at 31 December 2022 which has been audited, all other comparative figures have not been audited nor reviewed. The unaudited condensed interim financial statements for the corresponding six-months period ended 30 June 2023 is the responsibility of the management.

Restriction on Distribution and Use

This report is made solely to you as a body and for the inclusion in the circular to the shareholders of Axington Inc to be issued in relation to the proposed acquisition of the entire issued and paid-up share capital of the Company.

Moore Stephens LLP
Public Accountants and
Chartered Accountants
Singapore

Neo Keng Jin
Partner

27 December 2023

ACHIEVA TECHNOLOGY SDN. BHD

UNAUDITED CONDENSED INTERIM STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

	Note	Unaudited Six-months period ended 30 June 2023 USD	Unaudited Six-months period ended 30 June 2022 USD
Revenue	3	21,402,158	17,984,303
Cost of sales		(20,636,159)	(17,097,086)
Gross profit		765,999	887,217
Other income	3	439,069	145,589
Interest		2,824	3,163
Other operating		436,245	142,426
Expenses:			
Distribution		(439,567)	(417,989)
Administrative		(69,325)	(46,433)
Finance	**4**	(197,844)	(119,179)
Other:			
Loss allowance on receivables		(4,038)	(2,815)
Other operating		(920,572)	(943,791)
Total expenses		(1,631,346)	(1,530,207)
Loss before income tax	5	(426,278)	(497,401)
Income tax expense	6	(1,050)	(1,289)
Loss after income tax		(427,328)	(498,690)
Loss attributable to equity holders of the Company		(427,328)	(498,690)
Loss per share attributable to equity holders of the Company			
Basic loss per share	7	(0.02)	(0.02)
Diluted loss per share	7	(0.02)	(0.02)
Loss for the period		(427,328)	(498,690)
Other comprehensive loss:			
Item that may be reclassified to profit or loss:			
Currency translation differences		(62,123)	(108,450)
Other comprehensive loss, net of tax		(62,123)	(108,450)
Total comprehensive loss attributable to equity holders of the Company		(489,451)	(607,140)

The accompanying notes form an integral part of unaudited condensed interim financial statements

ACHIEVA TECHNOLOGY SDN. BHD

UNAUDITED CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

	Note	Unaudited 30 June 2023 USD	Audited 31 December 2022 USD
ASSETS			
Current assets			
Cash and cash equivalents	8	918,222	1,342,960
Trade and other receivables	9	7,971,145	6,835,068
Amounts due from related companies and immediate holding company	10	–	131,538
Inventories	11	4,674,083	6,855,793
Tax recoverable		2,470	2,095
		13,565,920	15,167,454
Non-current assets			
Property, plant and equipment	12	73,033	135,185
Investment property	13	106,872	113,507
		179,905	248,692
Total assets		13,745,825	15,416,146
LIABILITIES			
Current liabilities			
Trade and other payables	14	1,080,026	1,498,671
Amounts due to ultimate, immediate holding company and related companies	15	5,030,640	6,791,001
Borrowings	16	6,680,355	5,671,661
		12,791,021	13,961,333
Non-current liability			
Borrowings	16	–	10,558
Total liabilities		12,791,021	13,971,891
NET ASSETS		954,804	1,444,255
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	19	5,647,663	5,647,663
Currency translation reserve		534,053	596,176
Accumulated losses		(5,226,912)	(4,799,584)
TOTAL EQUITY		954,804	1,444,255

The accompanying notes form an integral part of unaudited condensed interim financial statements

ACHIEVA TECHNOLOGY SDN. BHD

UNAUDITED CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

	Share capital	Currency translation reserves	Accumulated losses	Total equity
	USD	USD	USD	USD
At 1 January 2023 (Audited)	5,647,663	596,176	(4,799,584)	1,444,255
Loss for the period	–	–	(427,328)	(427,328)
Other comprehensive loss:				
Currency translation differences	–	(62,123)	–	(62,123)
Total comprehensive loss	–	(62,123)	(427,328)	(489,451)
At 30 June 2023 (Unaudited)	5,647,663	534,053	(5,226,912)	954,804
At 1 January 2022 (Audited)	5,647,663	720,067	(3,950,322)	2,417,408
Loss for the period	–	–	(498,690)	(498,690)
Other comprehensive loss:				
Currency translation differences	–	(108,450)	–	(108,450)
Total comprehensive loss	–	(108,450)	(498,690)	(607,140)
At 30 June 2022 (Unaudited)	5,647,663	611,617	(4,449,012)	1,810,268

The accompanying notes form an integral part of unaudited condensed interim financial statements

ACHIEVA TECHNOLOGY SDN. BHD

UNAUDITED CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

	Unaudited	
	Six-months period ended 30 June	
	2023 USD	2022 USD
Cash flows from operating activities		
Loss before income tax	(426,278)	(497,401)
Adjustments for:		
Depreciation of property, plant and equipment	58,875	61,855
Property, plant and equipment written off	96	–
Gain on disposal of property, plant and equipment	–	(12,237)
Loss allowances on receivables, net	4,038	2,815
Allowances for inventories obsolescence	48,951	283,632
Interest income	(2,824)	(3,163)
Interest expenses	197,844	119,179
Unrealised exchange differences	162,744	196,692
Operating cash flow before working capital changes	43,446	151,372
Changes in working capital		
Trade and other receivables	(1,446,908)	2,003,878
Inventories	1,734,531	(2,267,657)
Trade and other payables	(396,478)	(280,690)
Amounts due to immediate holding companies	(1,759,208)	(313,160)
Amounts due from/to related companies	(553,649)	374,554
Cash used in operations	(2,378,266)	(331,703)
Interest received	2,824	3,163
Interest paid	(196,327)	(115,704)
Income tax paid	(1,575)	(1,934)
Net cash used in operating activities	(2,573,344)	(446,178)
Cash Flows from investing activities		
Payments for property, plant and equipment	(1,734)	–
Proceeds from disposal of property, plant and equipment	–	12,237
Net cash (used in)/generated from investing activities	(1,734)	12,237
Cash Flows from financing activities		
Drawdown from borrowings	20,794,611	11,263,913
Repayment of borrowings	(19,339,256)	(10,480,527)
Principal payment of lease liabilities	(53,298)	(55,616)
(Repayment to)/Advances from ultimate holding company, net	(209,954)	144,326
Advanced from immediate holding company, net	260,069	93,979
Advances from related companies, net	885,427	34,585
Repayment to subsidiary	–	(3,290)
Net cash generated from financing activities	2,337,599	997,370
Net (decrease)/increase in cash and cash equivalents	(237,479)	563,429
Effect of exchange rate fluctuations on cash and cash equivalents	(187,259)	(110,160)
Cash and cash equivalents at beginning of financial period	1,342,960	1,448,005
Cash and cash equivalents at end of financial period	918,222	1,901,274

The accompanying notes form an integral part of unaudited condensed interim financial statements

ACHIEVA TECHNOLOGY SDN. BHD

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

These notes form an integral part of and should be read in conjunction with the accompanying unaudited condensed interim financial statements.

1 General information

(a) Introduction

The unaudited condensed interim financial statements of Achieva Technology Sdn. Bhd. (the "Company") have been prepared solely for inclusion in the circular to the shareholders of Axington Inc to be issued in relation to the proposed acquisition of the entire issued and paid-up share capital of the Company

(b) The Company

The Company is a private limited company, incorporated and domiciled in Malaysia. The address of its registered office is 10th Floor, Menara Hap Seng, No 1 & 3, Jalan P. Ramlee, 50250 Kuala Lumpur Wilayah Persekutan Kuala Lumpur. The principal place of business of the Company is located at 2.03, 2nd Floor, Wisma Academy, No 4A, Jalan 19/1, 46300 Petaling Jaya, Selangor.

The principal activities of the Company are that of distribution and marketing of information technology computer peripheral parts, software and related products.

The immediate holding company and ultimate holding company of the Company is Serial I-Tech (Far East) Pte Ltd and Serial System Ltd respectively. The immediate and ultimate holding companies are incorporated in Singapore. The ultimate holding company is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

2 Significant accounting policies

(a) Basis of Preparation

The unaudited condensed interim financial statements for the six-months financial period ended 30 June 2023 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" (IAS 34).

The unaudited condensed interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's audited financial statements for the financial years ended 31 December 2020, 2021 and 2022.

The unaudited condensed interim financial statements are presented in United States Dollar ("USD").

In the current financial period, the Company has adopted all the new and revised International Financial Reporting Standards that are relevant to its operations and effective for the current financial period.

2 Significant accounting policies (continued)

(a) Basis of Preparation (continued)

The accounting policies adopted in the preparation of the unaudited condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except for the adoption of new standards effective as of 1 January 2023 which did not have significant impact on the financial performance or financial position of the interim financial statements. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The critical judgement and key sources of estimation uncertainty made by the management remains unchanged from audited financial statements for the financial years ended 31 December 2020, 2021 and 2022.

(b) New and Revised Standards Issued but Not Yet Effective

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the Company for the annual periods beginning on or after 1 July 2023 have not been applied in preparing these unaudited condensed interim financial statements. Management is of the view that the adoption of these new standards would not have significant financial impact on the financial performance or financial position of the Company.

Description	Effective for annual periods beginning on or after
Amendments to IAS 1, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-Current*	1 January 2024
Amendments to IAS 1, *Presentation of Financial Statements - Non-Current Liabilities with Covenants*	1 January 2024
Amendments to IFRS 16, *Leases – Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to IFRS 7: *Supplier Finance Arrangements*	1 January 2024
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	1 January 2024
IFRS S2 Climate-related Disclosures	1 January 2024

3 Revenue

Revenue represents gross invoiced value of goods supplied to customers net of returns and discounts.

The Company is in the business of distributing information technology computer peripheral parts, software and related products and its subsidiary is in the business of trading and distributing fast moving consumer goods ("FMCGs") via the e-commerce platforms and brick and mortar retail. Revenue recognition is based on point in time which is delivery of the goods to customer and requires acknowledgement from the customer on the goods that have been accepted.

ACHIEVA TECHNOLOGY SDN. BHD

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

3 Revenue (continued)

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Sales of goods	21,402,158	17,984,303
Other income	436,245	142,426
Interest income	2,824	3,163
	21,841,227	18,129,892
Performance obligations satisfied at a point in time		
Sales of goods:		
Consumer products	21,402,158	17,984,303
Other operating income:		
Incentive income received	219,533	126,989
Gain on disposal of property, plant and equipment	–	12,237
Office rental income	2,165	1,130
Derivatives financial instruments	207,468	–
Others	7,079	2,070
	436,245	142,426
Interest income:		
- bank balances	2,824	3,163
	2,824	3,163

4 Finance expenses

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Interest expenses:		
bankers' acceptances	137,087	96,434
invoice financing	38,466	–
revolving credit	5,691	4,823
letter of credit	15,083	14,448
lease liabilities	1,517	3,474
	197,844	119,179

ACHIEVA TECHNOLOGY SDN. BHD

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

5 Loss before income tax

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Auditors' remuneration	6,201	5,884
Allowance for inventories obsolescence	48,951	283,632
Depreciation of property, plant and equipment	58,875	61,855
Employee benefits expense (Note a)	311,151	317,705
Interest income	(2,824)	(3,163)
Impairment loss on trade receivables	4,038	2,815
Management fees	242,860	257,845
Management fees income	–	(452)
Property, plant and equipment written off	96	–
Rental income	(2,165)	1,130
Realised loss on foreign exchange	373,124	107,692
Unrealised loss foreign exchange	162,744	196,692

(a) Employee benefits expense comprise:

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Staff costs:		
Salaries, wages, bonus, allowances and overtime	251,538	232,859
Contributions to defined contribution plan	31,075	40,497
Social security contributions	3,315	2,618
Other employee benefits	25,223	41,731
Total employee benefits expense	311,151	317,705

ACHIEVA TECHNOLOGY SDN. BHD

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

6 Income tax expenses

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Current income tax:		
- Current year	1,050	1,289
	1,050	1,289

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the respective financial years.

The tax reconciliation from the tax amount at statutory income tax rate to the Company's tax expense is as follows:

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Loss before tax	(426,278)	(497,401)
Tax calculated at a tax rate of 24%	(102,306)	(119,376)
Expenses not deductible for tax purposes	20,650	79,506
Deferred tax assets not recognised	82,706	41,159
Tax expense for the financial years	1,050	1,289

The Company has the following items available for set-off against future taxable profits:

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Unutilised tax losses	1,955,383	1,210,886
Unabsorbed capital allowances	2,390	–

The unutilised tax losses in a Year of Assessment ("YA") of the Company can only be carried forward for a maximum period of 10 consecutive YAs to be utilised against income from any business source.

ACHIEVA TECHNOLOGY SDN. BHD

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

7 Loss per Share

(a) Basic loss per Share

Basic loss per share amounts are calculated by dividing loss for the year attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial periods as follows:

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Loss attributable to equity holders of the Company	(427,328)	(498,690)
Weighted average number of ordinary shares outstanding for basic loss per share	20,356,157	20,356,157
Basic loss per share (USD)	(0.02)	(0.02)

(b) Diluted loss per share

For the purpose of calculating diluted earnings/(loss) per share, net loss attributable to equity holders of the Company and the weighted average number of ordinary shares in issue (excluding treasury shares) are adjusted for the effects of all potential dilutive ordinary shares.

There are no potential dilutive ordinary shares during the financial period ended 30 June 2023 and 30 June 2022. Accordingly, the diluted loss per share is computed to be the same as the basic loss per share for the financial period ended 30 June 2023 and 30 June 2022.

8 Cash and cash equivalents

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Cash at bank	917,795	1,342,506
Cash on hand	427	454
	918,222	1,342,960

9 Trade and other receivables

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Current		
Trade receivables	7,832,199	6,405,643
Less: Loss allowances	(317,597)	(333,252)
Net trade receivables	7,514,602	6,072,391
Other receivables	322,133	183,344
Deposits	59,413	62,938
Prepayments	74,997	516,395
	456,543	762,677
Total current	7,971,145	6,835,068

The movements in the allowance for impairment loss for trade receivables are as follows:

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Balance at beginning of financial period	333,252	370,862
Additions	4,038	–
Reversal	–	(18,260)
Currency translation differences	(19,693)	(19,350)
Balance at end of financial period	317,597	333,252

The normal credit terms of trade receivables range from 30 to 60 days.

The Company has recognised loss allowance amounting USD4,038 in statement of profit or loss during the financial period ended 30 June 2023.

ACHIEVA TECHNOLOGY SDN. BHD

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

10 Amounts due from related companies and immediate holding company

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Amount due from immediate holding company		
- non trade	–	111,235
Amounts due from related companies		
- Trade	24,071	40,362
- Non-trade	–	2,823
	24,071	43,185
Loss allowance	(24,071)	(22,882)
	–	20,303
Total	–	131,538

The movements in the allowance for impairment loss are as follows:

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Balance at beginning of financial period	22,882	24,146
Currency translation differences	1,189	(1,264)
Balance at end of financial period	24,071	22,882

The non-trade amounts due from immediate holding company and related companies are unsecured, non-interest bearing and repayable on demand. The trade amounts due from related companies are unsecured with a credit term granted of 30 to 60 days.

11 Inventories

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Finished goods	4,674,083	6,855,793

11 Inventories (continued)

The movements in the provision for inventories are as follows:

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Balance at beginning of financial period	253,309	52,906
Additions	48,951	203,796
Currency translation differences	(17,364)	(3,393)
Balance at end of financial period	284,896	253,309

12 Property, plant and equipment

	Premises	Motor vehicles	Office equipment	Computers	Furniture and fittings	Renovation	Total
	USD	USD	USD	USD	USD	USD	USD
Unaudited							
30 June 2023							
Cost							
At 1 January 2023	305,766	17,657	41,387	98,996	57,435	126,232	647,473
Additions	–		451	1,220	63		1,734
Write off	–		(28,468)	(54,835)	(26,077)	(59,201)	(168,581)
Translation adjustment	(17,874)	(1,032)	(957)	(2,988)	(2,000)	(4289)	(29,140)
At 30 June 2023	287,892	16,625	12,413	42,393	29,421	62,742	451,486
Less: Accumulated depreciation							
At 1 January 2023	199,613	17,657	40,906	97,151	55,890	101,071	512,288
Charge for the year	50,624		299	923	297	6,732	58,875
Write off			(28,372)	(54,835)	(26,077)	(59,201)	(168,485)
Translation adjustment	(14,311)	(1,032)	(926)	(2,863)	(1,922)	(3,171)	(24,225)
At 30 June 2023	235,926	16,625	11,907	40,376	28,188	45,431	378,453
Net book value							
At 30 June 2023	51,966	–	506	2,017	1,233	17,311	73,033
At 1 January 2023	106,153	–	481	1,845	1,545	25,161	135,185

13 Investment property

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Leasehold building, at fair value		
Balance at beginning of financial period	113,507	124,566
Fair value change	–	(4,554)
Translation reserve	(6,635)	(6,505)
Balance at end of financial period	106,872	113,507

Fair value is determined through the comparison method using Level 2 inputs in the fair value hierarchy of IFRS 13 *Fair Value Measurement*.

The investment property was purchased during financial year ended 31 December 2020. The fair value of the above investment property was estimated based on valuation by an independent registered valuer at reporting dates, which was based on market evidence of transaction prices for similar properties and, in which certain values are adjusted for differences in key attributes such as property size, time and location under the comparison method.

The Company uses assumptions that are mainly based on market conditions existing at the end of the reporting period.

Changes in fair value are recognised in the profit or loss during the reporting period in which they are reviewed.

The following amounts are recognised in profit or loss:

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Rental income	2,165	1,130

The Company leases out its investment property to non-related third parties under non-cancellable operating leases. As at the reporting date, undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Within one year	3,247	4,372
Within 2-5 years	–	1,093

14 Trade and other payables

	Unaudited	Audited
	30 June 2023 USD	31 December 2022 USD
Trade payables	137,566	746,063
Other payables	809,023	448,626
Accruals	133,437	95,134
Derivative financial instruments	–	208,848
	1,080,026	1,498,671

The normal trade credit terms granted to the Company ranges from 30 to 45 days.

The Company used foreign exchange forward contracts to manage exposures to currency risks arising from assets and liabilities denominated in Malaysian Ringgit. As at 31 December 2022, the outstanding non-derivative financial instruments comprised of foreign exchange forward contracts with contract notional amount of USD3,464,665 and fair value liabilities of USD208,848. The range of the contractual rates to buy or sell United States Dollar against Malaysian Ringgit (RM) are within RM 4.5050 to RM 4.7450. These foreign exchange forward contracts have matured and closed in February 2023.

15 Amounts due to ultimate, immediate holding company and related companies

	Unaudited	Audited
	30 June 2023 USD	31 December 2022 USD
Amount due to ultimate holding company		
- Non trade	171,488	387,244
Amount due to immediate holding company		
- Trade	2,474,390	4,315,870
- Non-trade	64,862	–
	2,539,252	4,315,870
Amount due to related companies		
- Trade	1,299,635	1,919,193
- Non-trade	1,020,265	168,694
	2,319,900	2,087,887
Total	5,030,640	6,791,001

The non-trade amounts due to the ultimate and immediate holding company and related companies are unsecured, interest free, and repayable on demand.

The trade amounts due to the immediate holding company are unsecured, interest free and are repayable on demand. The trade amounts due to related companies are unsecured, interest free and have credit term of 30 to 90 days.

16 Borrowings

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Current		
Bankers' acceptances	5,056,535	5,345,743
Invoice financing	1,356,093	–
Revolving credit	213,744	227,015
Lease liabilities	53,983	98,903
	6,680,355	5,671,661
Non-current		
Lease liabilities	–	10,558
Total	6,680,355	5,682,219

The Company regularly monitors its compliance with the covenants and are up to date with the scheduled repayments of the borrowings. As at the reporting date, the Company has not met the covenants on the borrowings outstanding with a financial institution, which have the right to call for the immediate repayment of the outstanding bankers' acceptances, invoice financing and revolving credit borrowings. These bank facilities are secured by corporate guarantee of the immediate holding company and a related company. The bank facilities are also secured by a bank's standby letter of credit. As at 12 April 2023 and 21 June 2023, the financial institution have reviewed and agreed to continue extending the banking facilities to the Company until the next review.

Interest rates per annum at the reporting date for the bank borrowings are as follows:

	Unaudited	Audited
	30 June 2023	31 December 2022
	%	%
Bankers' acceptances	4.91-5.60	3.84-5.58
Revolving credit	5.04-5.27	3.98-5.03
Invoice financing	4.58-5.32	–
Lease liabilities	2.95-3.83	2.95-3.83

17 Right-of-use asset and Lease liabilities

The Company as the lessee

The Company has made periodic lease payments for buildings for the purpose of office usage. These are recognised within property, plant and equipment (Note 12). The lease liabilities of the Company are disclosed in Note 16 to the financial statements.

The carrying amounts of right-of-use assets classified within property, plant and equipment are as follows:

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Premises	51,966	106,153

The expenses charged to profit and loss during the financial periods are as follows:

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Depreciation of premises	50,624	52,826
Interest expense on lease liabilities	1,517	3,474
Total cash flows for leases (excludes short-term leases)	53,298	55,616

18 Changes in liabilities arising from financing activities

	Bank borrowings	Lease liabilities	Amount due to ultimate holding company	Amount due to/(from) immediate holding company	Amount due to related companies
	USD	USD	USD	USD	USD
Unaudited					
At 1 January 2023	5,572,758	109,461	387,244	(111,235)	168,694
Proceeds/Advances	20,794,611	–	205,153	260,069	1,068,782
Repayment	(19,339,256)	(53,298)	(415,107)	–	(183,355)
Non-cash changes:					
Interest expense	–	1,517	–	–	–
Currency translation differences	(401,741)	(3,697)	(5,802)	(83,972)	(33,856)
At 30 June 2023	6,626,372	53,983	171,488	64,862	1,020,265

ACHIEVA TECHNOLOGY SDN. BHD

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX-MONTHS PERIOD FROM 1 JANUARY 2023 TO 30 JUNE 2023

19 Share capital

	Unaudited		Audited	
	30 June 2023		31 December 2022	
	No. of ordinary shares	USD	No. of ordinary shares	USD
Issued and fully paid ordinary shares	20,356,157	5,647,663	20,356,157	5,647,663

The holder of ordinary shares is entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction and rank equally with regard to the Company's residual interest

20 Related party transactions

A related party is a person or entity that is related to the entity that is preparing its financial statements ("reporting entity").

Parties are considered to be related if (a) a person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity. (b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (vi) the entity is controlled or jointly controlled by a person identified in (a); (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity; and (viii) the entity or any member of a group of which is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Related companies in these financial statements refer to members of the Serial System Ltd's group of companies.

(a) Sales and purchases of goods and services

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Company and related parties during the financial period at terms agreed between the parties:

20 Related party transactions (continued)

(a) Sales and purchases of goods and services (continued)

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Ultimate holding company		
- Sales	(933)	–
- Finance expenses	30,397	28,982
- Management fee expenses	48,401	128,233
Immediate holding company		
- Sales	–	(42,431)
- Purchases	10,378,227	15,058,101
- Management fee expenses	158,168	93,979
Related companies		
- Sales	(12,037)	(16,778)
- Purchases	6,059,387	6,011,936
- Management fee expenses	36,291	35,633

(b) Compensation of key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel comprise all the Directors of the Company.

There is no remuneration paid by the Company to key management personnel during the financial year. The remuneration of the key management personnel is paid by the immediate and ultimate holding companies.

21 Financial risk management

The Company's activities expose them to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The directors of the Company provide guidelines for overall risk management. Management reviews and agrees on policies for managing the various financial risks.

21 Financial risk management (continued)

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Financial assets, at amortised cost:		
Cash and cash equivalents	918,222	1,342,960
Trade and other receivables	7,896,148	6,318,673
Amount due from related companies and immediate holding company	–	131,538
	8,814,370	7,793,171
Financial liabilities, at amortised costs:		
Trade and other payables	1,080,026	1,289,823
Borrowings	6,680,355	5,682,219
Amounts due to ultimate, immediate and related companies	5,030,640	6,791,001
	12,791,021	13,763,043
Financial liabilities, at fair value through profit or loss:		
Derivatives financial instruments	–	208,848

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

The Company's major classes of financial assets are cash and cash equivalents, trade and other receivables, and amounts due from subsidiary and related companies.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Company's association to business partners with good credit rating. Credit evaluations are performed on all customers requiring credit over a certain amount.

As at 30 June 2023, the Company has major concentration of credit risk arising from 1, customer that represented 23% of the net trade receivables of the Company.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluation. The counterparty's payment profile and credit exposure are continuously monitored at the entity level by the respective heads of operation and finance department and at the holding company level by the corporate finance and management team.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position,

The internal credit risk grading which is used to report the Company's credit risk exposure to key management personnel for credit risk management purposes are as follows:

21 Financial risk management (continued)

(a) Credit risk (continued)

Internal rating grades	Definition	Basis of recognition of expected credit loss
(i) Performing	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
(ii) Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 30 days past due)	Lifetime ECL (not credit impaired)
(iii) Non-performing	There is evidence indicating that the asset is credit impaired (i.e. interest and/or principal repayment are more than 90 days past due)	Lifetime ECL (credit impaired)
(iv) Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty (i.e. interest and/or principal repayment are more than 180 days past due)	Asset is written off

Except as disclosed in the financial statements, the Company has no under-performing and non-performing financial assets. The credit quality of the Group's financial assets, as well as maximum exposure to credit risk rating rates are presented as follows:

Cash and cash equivalents

Impairment on cash and cash equivalents has been measured on the 12-month expected credit loss basis and reflects the short maturities of the exposures. The Company considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Cash and cash equivalents are entered into with bank and financial institution counterparties, assessed as low credit risks and rated Ba1 to Aa1, based on rating agency's ratings. The amount of impairment allowance on cash and cash equivalents is immaterial. The gross and net carrying amount of cash and cash equivalents are set out in Note 8 to the financial statements.

Other receivables, amounts due from related companies

For other receivables, the Company categorised them as performing debts where the counterparties have a low risk of default and do not have any past-due amounts. The loss allowance is measured at an amount equal to 12-month expected credit loss which reflects the low credit risk of the exposures. The gross and net carrying amounts of other receivables are set out in Note 9 to the financial statements. The movements in the allowance for impairment loss on amount due related companies are set out in Note 10 to the financial statements.

21 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables

The Company applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for trade receivables carried at amortised cost. The expected credit loss rates are based on the payment profiles of sales over a period of 36 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the unemployment rate of the countries in which it sells its goods and services to be the most relevant factor, and accordingly adjusts the historical credit loss rates based on expected changes in this factor.

For individual assessment, it is due to the number of debtors is minimal and these debtors can be individually managed by the Company in an effective and efficient manner. The Company has reasonable and supportable information available to assess the impairment individually.

For collective assessment, the Company determines the expected credit losses by using a provision matrix for collective assessed receivables which are grouped together based on shared credit risk characteristics and the number of days past due which have similar risk characteristics.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at reporting date which are grouped together as they are expected to have similar risk nature.

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Within credit terms - Current	5,927,141	3,800,947
Past due:		
1 to 30 days	1,445,148	1,943,207
31 days to 60 days	123,292	294,513
61 days to 90 days	28,330	35,500
Over 90 days	308,288	331,476
	7,832,199	6,405,643
Less: Loss allowance		
Collectively impaired	(9,395)	(7,744)
Individually impaired	(308,202)	(325,508)
	(317,597)	(333,252)
Net amount	7,514,602	6,072,391

21 Financial risk management (continued)

(a) Credit risk (continued)

Trade receivables (continued)

There are loss allowance recognised in statement of profit or loss during the financial period ended 30 June 2023 amounting to USD4,038.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and a failure to make contractual payments.

Impairment losses on trade receivables are presented as net impairment losses. Subsequent recovery of amounts previously written off is credited against the same line item.

The movements in the allowance for impairment loss on amount due from related companies are set out in Note 10 to the financial statements.

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities.

The interest rate profile of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Floating rate instruments:		
Bankers' acceptances	5,056,535	5,345,743
Invoice financing	1,356,093	–
Revolving credit	213,744	227,015
	6,626,372	5,572,758

21 Financial risk management (continued)

(b) Interest rate risk (continued)

The following table details the sensitivity analysis to its results for the financial year, to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:

	Unaudited	Audited
	30 June Increase/ (Decrease)	31 December Increase/ (Decrease)
	2023	2022
	USD	USD
Effects on loss after income tax		
Increase of 10 basis points	5,036	4,235
Decrease of 10 basis points	(5,036)	(4,235)
Effects on equity		
Increase of 10 basis points	(5,036)	(4,235)
Decrease of 10 basis points	5,036	4,235

(c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations associated with financial liabilities. The Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through use of stand-by credit facilities.

The Company's financial liabilities at reporting date comprise trade and other payables, amounts due to immediate holding company, related companies and ultimate holding company, borrowings and lease liabilities which are payable on demand or due within one year to more than two years.

21 Financial risk management (continued)

(c) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted repayment of obligations:

		← Cash flows →		
	Carrying amounts	Contractual cash flows	Within 1 year	Between 1 to 5 years
	USD	USD	USD	USD
Unaudited				
At 30 June 2023				
Financial liabilities:				
Trade and other payables (excluding derivatives)	1,080,026	1,080,026	1,080,026	–
Amount due to ultimate, immediate holding company and related companies	5,030,640	5,030,640	5,030,640	–
Borrowings	6,680,355	6,683,336	6,683,336	–
	12,791,021	12,794,002	12,794,002	–

(d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has transactional currency exposures arising from sales or purchases that are denominated in currencies other than their functional currency, primarily United States Dollar ("USD") and Singapore Dollar ("SGD"). Foreign currencies denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

The Company holds cash and cash equivalents denominated in foreign currencies to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

Foreign exchange exposures in transactional currencies other than functional currency of Company are kept to an acceptable level.

21 Financial risk management (continued)

(d) Foreign currency risk (continued)

The net unhedged financial assets and liabilities of the Company that are not denominated in the functional currency are as follows:

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Denominated in USD		
Financial assets:		
Amounts due from related companies	–	20,158
Cash and cash equivalents	60,935	27,186
Trade and other receivables	617,346	21,214
	678,281	68,558
Financial liabilities:		
Amount due to ultimate holding company	(171,488)	(387,244)
Amount due to immediate holding company	(2,533,051)	(4,150,525)
Amounts due to related companies	(2,319,900)	(2,060,647)
Trade payables	(118,107)	(746,063)
	(5,142,546)	(7,344,479)
Net exposure	(4,464,265)	(7,275,921)

	Unaudited	Audited
	30 June 2023	31 December 2022
	USD	USD
Denominated in SGD		
Financial liabilities:		
Amount due to immediate holding company	(6,201)	(54,110)
Amounts due to related companies	–	(27,240)
Net exposure	(6,201)	(81,350)

21 Financial risk management (continued)

(d) Foreign currency risk (continued)

Foreign currency risk sensitivity analysis

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:

	Unaudited	Audited
	30 June Increase/ (Decrease) 2023 USD	31 December Increase/ (Decrease) 2022 USD
Effects on loss before tax:		
USD/RM		
Strengthened by 5%	223,213	363,796
Weakened by 5%	(223,213)	(363,796)
SGD/RM		
Strengthened by 5%	310	4,067
Weakened by 5%	(310)	(4,067)

(e) Capital management

The Company manages their capital to ensure that the Company will be able to maintain an optimal capital structure so as to support their business and maximise shareholder value. To achieve this objective, the Company may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Company manages their capital based on debt-to-equity ratio. Net debt includes borrowings and cash and cash equivalents whilst total capital is the equity attributable to the owner of the Company.

The Company's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as follows:

	Unaudited	Audited
	30 June 2023 USD	31 December 2022 USD
Borrowings (less lease liabilities)	6,626,372	5,572,758
Less: Cash and cash equivalents	(918,222)	(1,342,960)
Total net debts	5,708,150	4,229,798
Total equity attributable to the owner of the Company	954,804	1,444,255
Debt to equity ratio	5.98	2.93

21 Financial risk management (continued)

(e) Capital management (continued)

There were no changes in the Company's approach to capital management during the financial year. Other than as disclosed in the financial statements, the Company is in compliance with all externally imposed capital requirements.

22 Fair values of assets and liabilities

The Company measured its investment property at fair value as at reporting date, based on Level 2 fair value measurements, as disclosed in Note 13 to the financial statements.

There was no transfer between Level 1, Level 2 and Level 3 during the respective financial years.

The fair values of borrowings and lease liabilities are estimated using discounted expected future cash flows at market incremental lending rate for similar type borrowings or leasing arrangements at the reporting date.

The carrying amounts of other financial assets and liabilities recognised as at the reporting date with maturity of less than one year approximate their fair values due to their short-term maturities.

23 Seasonal operations

The Company's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

24 Segment reporting

Management has determined the Company as one reportable segment as the Company is only involved in the distribution and marketing of information technology computer peripheral parts, software and related products.

Revenue from external customers are attributed to the regions based on the customers' country of origin.

	Unaudited	
	Six-months period ended 30 June	
	2023	2022
	USD	USD
Brunei Darussalam	158,082	171,216
Hong Kong	317,501	84,079
Indonesia	–	60,432
Malaysia	20,415,752	17,435,041
Singapore	472,620	149,479
Taiwan	38,203	84,056
	21,402,158	17,984,303

As at 30 June 2023, the Company has 4 (2022: 4) customers each accounting for more than 5% (2022: 5%) of the Company's total revenue.

AXINGTON INC

(Incorporated in Labuan)

AND ITS SUBSIDIARIES

UNAUDITED *PRO FORMA* FINANCIAL INFORMATION FINANCIAL YEAR AND SIX-MONTHS PERIOD

ENDED 31 DECEMBER 2022 AND 30 JUNE 2023

APPENDIX D – INDEPENDENT AUDITORS' ASSURANCE REPORT AND THE COMPILATION OF THE UNAUDITED *PRO FORMA* CONSOLIDATED FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND THE SIX-MONTH PERIOD ENDED 30 JUNE 2023

AXINGTON INC
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31 DECEMBER 2022 AND 30 JUNE 2023

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INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND THE SIX-MONTHS PERIOD ENDED JUNE 2023

The Board of Directors
Axington Inc
Lot A020, Level 1, Podium Level
Financial Park, Jalan Merdeka
87000 Federal Territory of Labuan, Malaysia

Report on the Compilation of Unaudited *Pro forma* Financial Information Included in the Circular to Shareholders of Axington Inc

We have completed our assurance engagement to report on the compilation of unaudited *pro forma* financial information of Axington Inc (the "Company") and Achieva Technology Sdn Bhd / Achieva Digital (Thailand) Company Limited (the "Targets") and collectively, (the "Enlarged Group") by management. The unaudited *pro forma* financial information consists of the unaudited *pro forma* statement of financial position as at 31 December 2022 and 30 June 2023, the unaudited *pro forma* statement of profit or loss and other comprehensive income for the financial year/period ended 31 December 2022 and 30 June 2023, the unaudited *pro forma* statement of cash flows for the financial year/period ended 31 December 2022 and 30 June 2023 and related notes. The applicable criteria on the basis of which management has compiled the unaudited *pro forma* financial information are described in Note 4.

The unaudited *pro forma* financial information has been compiled by management to illustrate the impact of the Proposed Transactions set out in Note 3 on:

(a) the Enlarged Group's unaudited *pro forma* financial position as at 31 December 2022 and 30 June 2023 as if the Proposed Transactions had taken place on 31 December 2022 and 30 June 2023 respectively;

(b) the Enlarged Group's unaudited *pro forma* financial performance for the financial year/period ended 31 December 2022 and 30 June 2023 as if the Proposed Transactions had taken place on 1 January 2022; and

(c) the Enlarged Group's unaudited *pro forma* cash flows for the financial year/period ended 31 December 2022 and 30 June 2023 as if the Proposed Transactions had taken place on 1 January 2022.

As part of this process, information about the Enlarged Group's unaudited *pro forma* financial position, unaudited *pro forma* financial performance and unaudited *pro forma* cash flows has been extracted by management from:

(a) the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022 and the unaudited condensed interim financial statements for the six-months period ended 30 June 2023; and

(b) the audited financial statement of Achieva Technology Sdn Bhd for the financial year ended 31 December 2022 and the unaudited condensed interim financial statements for the six-months period ended 30 June 2023, on which an audit report has been published and included in the Circular.

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED *PRO FORMA* FINANCIAL INFORMATION OF THE ENLARGED GROUP FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND THE SIX-MONTHS PERIOD ENDED JUNE 2023

Management's Responsibility for the Unaudited *Pro forma* Financial Information

Management is responsible for compiling the unaudited *pro forma* financial information on the basis as described in Note 4 of the unaudited *pro forma* financial information.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Accounting and Corporate Regulatory Authority (ARCA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Singapore Standard on Quality Management 1 which requires the firm to design, implement and operates a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Auditor's Responsibilities

Our responsibility is to express an opinion about whether the unaudited *pro forma* financial information has been compiled, in all material respects, by management on the basis as described in Note 4 of the unaudited *pro forma* financial information.

We conducted our engagement in accordance with Singapore Standard on Assurance Engagements (SSAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Institute of Singapore Chartered Accountants. This standard requires that the auditor plan and perform procedures to obtain reasonable assurance about whether management has compiled, in all material respects, the unaudited *pro forma* financial information on the basis as described in Note 4 of the unaudited *pro forma* financial information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited *pro forma* financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited *pro forma* financial information.

The purpose of unaudited *pro forma* financial information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Enlarged Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at the respective dates would have been as presented.

A reasonable assurance engagement to report on whether the unaudited *pro forma* financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by management in the compilation of the unaudited *pro forma* financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

(a) The related *pro forma* adjustments give appropriate effect to those criteria; and

(b) The unaudited *pro forma* financial information reflects the proper application of those adjustments to the unadjusted financial information.

Auditor's Responsibilities (continued)

The procedures selected depend on the auditor's judgment, having regard to the auditor's understanding of the nature of the Enlarged Group, the event or transaction in respect of which the unaudited *pro forma* financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited *pro forma* financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) The unaudited *pro forma* financial information has been compiled:

  (i) in a manner consistent with the accounting policies adopted by the Enlarged Group, which are in accordance with Singapore Financial Reporting Standards (International);

  (ii) on the basis of the applicable criteria stated in Note 4 of the unaudited *pro forma* financial information; and

(b) each material adjustment made to the information used in the preparation of the unaudited *pro forma* financial information is appropriate for the purpose of preparing such unaudited *pro forma* financial information.

Restriction on Distribution and Use

This report is made solely for the inclusion in the Circular to the shareholders of the Company to be issued in relation to the proposed acquisition of the 100% issued and paid-up share capital of Achieva Technology Sdn Bhd and 49% issued and paid-up share capital of Achieva Digital (Thailand) Company Limited and for no other purpose.

Moore Stephens LLP
Public Accountants and
Chartered Accountants
Singapore

Partner in charge: Neo Keng Jin

27 December 2023

AXINGTON INC
(Incorporated in Labuan)
AND ITS SUBSIDIARIES

UNAUDITED *PRO FORMA* STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND SIX-MONTHS PERIOD ENDED JUNE 2023

	Note	For the period ended 30 June 2023 USD	For the year ended 31 December 2022 USD
Revenue		34,406,452	44,666,499
Cost of sales		(33,002,595)	(43,061,338)
Gross profit		1,403,857	1,605,161
Other income		445,115	1,117,635
Interest		3,188	5,542
Other operating		441,927	1,112,093
Expenses:			
Distribution		(914,494)	(1,255,823)
Administrative		(250,165)	(1,114,722)
Finance		(228,788)	(369,672)
Other:			
Loss allowance on receivables		(5,082)	(3,362)
Other operating	7	(1,853,079)	(6,517,917)
Total expenses		(3,251,608)	(9,261,496)
Loss before income tax		(1,402,636)	(6,538,700)
Income tax expense		(1,050)	(1,862)
Loss after income tax		(1,403,686)	(6,540,562)
Attributable to:			
Equity holders of the Company		(998,550)	(6,336,292)
Non-controlling interests		(405,136)	(204,270)
		(1,403,686)	(6,540,562)
Loss per share attributable to equity holders of the Company (cents)	9		
Basic loss per share (pre consolidation)		(0.08)	(0.50)
Diluted loss per share (pre consolidation)		(0.08)	(0.50)

The accompanying notes form an integral part of these financial statements.

AXINGTON INC
(Incorporated in Labuan)
AND ITS SUBSIDIARIES

UNAUDITED *PRO FORMA* STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND SIX-MONTHS PERIOD ENDED JUNE 2023

	For the period ended 30 June 2023	For the year ended 31 December 2022
	USD	USD
Loss for the period/year	(1,403,686)	(6,540,562)
Other comprehensive loss:		
Item that may be reclassified to profit or loss:		
Currency translation differences	(62,123)	(123,891)
Other comprehensive loss, net of tax	(62,123)	(123,891)
Total comprehensive loss for the period/year	(1,465,809)	(6,664,453)
Attributable to:		
Equity holders of the Company	(1,060,673)	(6,460,183)
Non-controlling interests	(405,136)	(204,270)
	(1,465,809)	(6,664,453)

The accompanying notes form an integral part of these financial statements.

AXINGTON INC
(Incorporated in Labuan)
AND ITS SUBSIDIARIES

UNAUDITED *PRO FORMA* STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022 AND 30 JUNE 2023

	30 June 2023 USD	31 December 2022 USD
ASSETS		
Current assets		
Cash and cash equivalents	1,297,898	2,199,500
Restricted deposit	457,430	462,859
Trade and other receivables	7,971,384	6,835,541
Amounts due from related companies and immediate holding company	–	131,538
Inventories	4,674,083	6,855,793
Tax recoverable	2,470	2,095
	14,403,265	16,487,326
Non-current assets		
Property, plant and equipment	73,033	135,185
Investment property	106,872	113,507
	179,905	248,692
Total assets	14,583,170	16,736,018
LIABILITIES		
Current liabilities		
Trade and other payables	1,877,762	2,599,889
Amounts due to ultimate, immediate holding company and related companies	2,030,640	3,791,001
Borrowings	6,680,355	5,671,661
	10,588,757	12,062,551
Non-current liability		
Borrowings	–	10,558
	–	10,558
Total liabilities	10,588,757	12,073,109
NET ASSETS	3,994,413	4,662,909
EQUITY		
Capital and reserves attributable to equity holders of the Company		
Share capital	13,499,854	13,499,854
Other reserves	534,053	596,176
Accumulated losses	(10,039,494)	(9,433,121)
Total equity	3,994,413	4,662,909

The accompanying notes form an integral part of these financial statements.

AXINGTON INC
(Incorporated in Labuan)
AND ITS SUBSIDIARIES

UNAUDITED *PRO FORMA* STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND SIX-MONTHS PERIOD ENDED 30 JUNE 2023

	For the period ended 30 June 2023 USD	For the year ended 31 December 2022 USD
Cash Flows from operating activities		
Loss before income tax	(1,402,636)	(6,538,700)
Adjustments for:		
Loss on reverse acquisition	–	3,290,118
Introducer fees	–	372,908
Depreciation of property, plant and equipment	61,915	119,796
Loss/(Gain) on disposal of property, plant and equipment	2,029	(11,841)
Fair value changes on investment property	–	4,554
Reversal of accrual expenses	–	(67,189)
Loss allowance/(Reversal of impairment loss) on receivables, net	5,082	(14,898)
Allowances for inventories obsolescence	399,813	203,796
Interest income	(3,188)	(5,542)
Interest expenses	228,788	369,672
Unrealised exchange difference	821,575	(139,432)
Operating cash flows before working capital changes	113,378	(2,416,758)
Changes in working capital changes:		
Trade and other receivables	(1,446,680)	(739,523)
Inventories	1,734,531	(1,831,125)
Trade and other payables	(950,355)	2,386,740
Amounts due from/to immediate holding companies	(1,759,208)	1,979,924
Amounts due from/to related companies	(553,649)	(510,627)
Cash used in operations	(2,861,983)	(1,131,369)
Interest received	2,824	5,342
Interest paid	(196,327)	(259,846)
Income taxes paid	(1,575)	(15,935)
Net cash used in operating activities	(3,057,061)	(1,401,808)
Cash Flows from Investing Activities		
Payments for property, plant and equipment	(1,734)	(622)
Proceeds from disposal of property, plant and equipment	–	11,841
Advances to related companies	–	(1,419)
Withdrawal of restricted deposit in escrow account	–	19,410,228
Net cash (used in)/generated from investing activities	(1,734)	19,420,028

The accompanying notes form an integral part of these financial statements.

AXINGTON INC
(Incorporated in Labuan)
AND ITS SUBSIDIARIES

UNAUDITED *PRO FORMA* STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND SIX-MONTHS PERIOD ENDED 30 JUNE 2023

	For the period ended 30 June 2023 USD	For the year ended 31 December 2022 USD
Cash Flows from Financing Activities		
Proceeds from borrowings	20,794,611	22,759,649
Repayment of borrowings	(19,339,256)	(21,760,674)
Principal payment of lease liabilities	(53,298)	(107,635)
Advances from ultimate holding company, net	(209,954)	287,711
Repayment to immediate holding company, net	260,069	(591,017)
Advances from related companies, net	885,427	68,977
Cash distributed to shareholders arising from capital reduction of the Company	–	(8,892,870)
Cash distributed to non-controlling interest arising from capital reduction of a subsidiary	–	(747)
Dividends paid	–	(10,524,076)
Net cash generated from/(used in) financing activities	2,337,599	(18,760,682)
Net decrease in cash and cash equivalents	(721,196)	(742,462)
Effect of exchange rate fluctuations on cash and cash equivalents	(186,209)	(631)
Cash and cash equivalents at beginning of the financial period/year	2,205,303	2,942,593
Cash and cash equivalents at end of the financial period/year	1,297,898	2,199,500

The accompanying notes form an integral part of these financial statements.

AXINGTON INC
(Incorporated in Labuan)
AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND SIX-MONTHS PERIOD ENDED 30 JUNE 2023

These notes form an integral part of and should be read in conjunction with the accompanying unaudited *pro forma* financial information.

1 General information

The unaudited *pro forma* financial information has been prepared for the inclusion in the Circular to the shareholders of Axington Inc (the "Company") (the "Circular") in relation to the proposed acquisition by the Company of the 100% issued and paid-up share capital of Achieva Technology Sdn Bhd and 49% of the issued and paid up share capital of Achieva Digital (Thailand) Company Limited.

The enlarged group of companies comprising the Company, Achieva Technology Sdn Bhd and Achieva Digital (Thailand) Company Limited, following completion of the proposed acquisition, are collectively known as the "Enlarged Group".

2 Corporate information

The Company is incorporated in the Federal Territory of Labuan under the Labuan Companies Act 1990. The Company is listed on the Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office of the Company is at Lot A020, Level 1, Podium Level. Financial Park, Jalan Merdeka, 87000 Federal Territory of Labuan, Malaysia.

The principal activity of the Company is that of investment holding.

The principal activities of its subsidiaries in the Enlarged Group are disclosed in Note 3.3.

3 Proposed transactions / significant events

3.1 The proposed acquisition

On 2 September 2022 and 3 April 2023, the Company entered into a sale and purchase agreement (the "SPA") and Amendment Letter with Serial System Ltd, Achieva Technology Sdn Bhd and Achieva Digital (Thailand) Company Limited, pursuant to which the Company will acquire 100% issued and paid-up share capital Achieva Technology Sdn Bhd and 49% issued and paid-up share capital of Achieva Digital (Thailand) Company Limited based on the terms and conditions of the SPA (the "Proposed Acquisition").

The consideration for the Proposed Acquisition as determined by mutual agreement between the parties to the SPA (collectively, the "Parties") is SGD27,000,000 (equivalent to USD20,156,775) (the "Purchase Consideration"), and shall be satisfied in full by the allotment and issuance of 916,254,237 new shares in the share capital of the Company (the "Consideration Shares") at an issue price of approximately SGD0.029 per Consideration Share. The Consideration Shares shall be issued as fully-paid shares and rank *pari passu* in all respects with and carry all rights similar to the shares in issue then, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of issue of the Consideration Shares.

3 Proposed transactions / significant events (continued)

3.2 The Proposed Disposal and Striking off of Subsidiaries

On 14 April 2023, the Company entered into Sale and Purchase Agreements with an unrelated third party to dispose Axington Lao Co., Ltd and Axington Vietnam Limited at an aggregate cash consideration of SGD1.

Axington Singapore Pte. Ltd has been struck off from ACRA's register with effect from 3 May 2023.

Upon completion of the Proposed Acquisition, the Company will hold the following entities:

Name of subsidiaries	Country of incorporation and principal place of business	Principal activities	Effective equity interest held by the Company
Achieve Technology Sdn Bhd (*)	Malaysia	Distribution and marketing of information technology, computer peripheral, parts, software and related products	100%
Achieva Digital (Thailand) Company Limited(#)	Thailand	Distribution and marketing of information technology, computer peripherals, parts, software and related products	49%

(*) Audited by Moore Stephens LLP, Singapore, for the purpose of reporting on the compilation of unaudited *pro forma* financial information

(#) Achieva Digital (Thailand) Company Limited, Thailand, incorporated in May 2023 is targeted to be acquired by the Company at the completion of the Proposed Acquisition. The principal activities are that of the business of operating as a local in-country reseller of consumer and enterprise IT products and computer peripherals in Thailand ("Thai Consumer Business").

4 Basis of compilation of the unaudited *pro forma* financial information

4.1 The unaudited *pro forma* financial information refers to the combined financial information of the Enlarged Group which is presented in United States Dollars ("USD"). The unaudited *pro forma* financial information has been prepared for illustrative purposes only. It has been prepared based on certain assumptions and after making certain adjustments to show what:

(a) the unaudited *pro forma* financial position of the Enlarged Group as at 31 December 2022 and 30 June 2023 would have been if the Proposed Transactions as disclosed in Note 3 of the unaudited *pro forma* financial information had occurred on 31 December 2022;

(b) the unaudited *pro forma* financial performance of the Enlarged Group for the financial year/ period ended 31 December 2022 and 30 June 2023 would have been if the Proposed Transactions as disclosed in Note 3 of the unaudited *pro forma* financial information had occurred on 1 January 2022; and

4 Basis of compilation of the unaudited *pro forma* financial information (continued)

(c) the unaudited *pro forma* cash flows of the Enlarged Group for the financial year/period ended 31 December 2022 and 30 June 2023 would have been if the Proposed Transactions as disclosed in Note 3 of the unaudited *pro forma* financial information had occurred on 1 January 2022.

4.2 However, the unaudited *pro forma* financial information of the Enlarged Group because of its nature may not give a true picture of the Enlarged Group's actual financial position, financial performance and cash flows, and is not necessarily indicative of the results of the operations and cash flows or the related effects on the financial position that would have been attained had the Enlarged Group actually existed earlier.

4.3 The unaudited *pro forma* financial information of the Enlarged Group has been compiled based on the following:

(a) the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022, which were prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)) and audited by Foo Kon Tan LLP, Public Accountants and Chartered Accountants Singapore, in accordance with Singapore Standards of Auditing;

(b) the audited financial statements of Achieva Technology Sdn Bhd for the financial year ended 31 December 2022, which were prepared in accordance with International Financial Reporting Standards and jointly audited by Moore Stephens LLP, Public Accountants and Chartered Accountants Singapore and Moore Stephens Associates PLT Petaling Jaya, Selangor in accordance with International Standards of Auditing.

4.4 The auditor's report on the audited consolidated financial statements of the Company and its subsidiaries for the financial year ended 31 December 2022, which was disclosed in the published annual report dated 11 April 2023, include the following Other Matter:

Other Matter

Cash company status

As disclosed in Note 2(a) to the financial statements, the Group does not have any revenue generating business after the disposal of Taxand Sdn. Bhd. and its subsidiaries, and the Company, had on 1 April 2021, notified the SGX-ST of its cash company status. Pursuant to Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove the Company from the Official List if it is unable to meet the requirements for a new listing within 12 months from the time it becomes a cash company. The Company may apply to the SGX-ST for a maximum six-month extension to the 12-month period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the six-month extension period. On 29 March 2022, the SGX-ST informed the Company that it has no objection to the Company's application to extend the deadline to 30 September 2022 to meet the requirements for a new listing. On 1 December 2022, the SGX Exchange Regulation Pte. Ltd. informed the Company that it has no objection to the Company's application on a second extension of the deadline to 30 September 2023 to meet the requirements for a new listing.

4 Basis of compilation of the unaudited *pro forma* financial information (continued)

4.5 The acquisition of the Targets is accounted for in the unaudited *pro forma* financial information as a reverse acquisition where the Targets is deemed as the accounting acquirer while the Company is deemed as the accounting acquiree. The Proposed Acquisition will result in the Controlling Shareholders of the Targets obtaining the majority of the voting rights in the Enlarged Group.

The unaudited *pro forma* financial information of the Enlarged Group presented for the financial year/period ended 31 December 2022 and 30 June 2023 have been prepared using reverse acquisition accounting as set out in SFRS(I) 3 *Business Combinations* ("SFRS(I) 3"), but it does not result in the recognition of goodwill as the Company ceased to have any operating business as disclosed in Note 4.4 and its activities are unable to generate cash to meet its obligations. Accordingly, the Company does not constitute a business as set out in SFRS(I) 3. Instead, such transactions fall within the scope of SFRS(I) 2 Share-based Payment ("SFRS(I) 2") for the financial year/period ended 31 December 2022 and 30 June 2023 which requires the deemed shares issued by the Targets to be recognised at fair value. Any difference in the fair value of the shares issued by the Targets and the fair value of the Company's identifiable net liabilities represents the value in exchange for the listing status which is recognised as an expense in profit or loss.

Under reverse acquisition accounting:

(a) the accounting acquirer (legal subsidiaries) will be the Targets and the accounting acquiree (legal parent) will be the Company;

(b) the assets and liabilities of the Targets (legal subsidiaries) are recognised and measured at their pre-combination carrying amounts;

(c) the assets and liabilities of the Company (legal parent) are recognised and measured at acquisition-date fair values;

(d) the retained earnings/(accumulated losses) and other equity balances recognised in the unaudited *pro forma* financial information are the retained earnings/(accumulated losses) and other equity balances of the Targets (legal subsidiaries) immediately before the Proposed Acquisition;

(e) the amount recognised as issued equity interests in the unaudited *pro forma* financial information is determined by adding the issued equity interests of the Targets (legal subsidiaries) outstanding immediately before the Proposed Acquisition to the cost of the reverse acquisition of the Company (legal parent) determined in accordance with FRS 103 or SFRS(I) 3. However, the equity structure (i.e. the number and type of equity interests issued) presented reflects the equity structure of the Company (legal parent), including the equity interests issued by the Company to effect the Proposed Acquisition;

(f) the cost of the reverse acquisition deemed to be incurred by the Targets (legal subsidiaries) for its interests in the Company (legal parent) is based on the number of equity interests that the Targets would have to issue to the shareholders of the Company to give the shareholders of the Company the same percentage equity interest in the Enlarged Group that results from the Proposed Acquisition and will be determined using the fair value of the issued equity of the Targets immediately before the Proposed Acquisition; and

4 Basis of compilation of the unaudited *pro forma* financial information (continued)

4.5 (continued)

(g) the non-controlling interest's proportionate share of the Target Group's pre-combination carrying amounts of retained earnings and other equity interests.

4.6 In arriving at the unaudited *pro forma* financial information of the Enlarged Group, the following key adjustments and assumptions have been made:

(a) Achieva Digital (Thailand) Company Limited, Thailand, incorporated in May 2023 is targeted to be acquired by the Company at the completion of the Proposed Acquisition. The principal activities are that of the business of operating as a local in-country reseller of consumer and enterprise IT products and computer peripherals in Thailand ("Thai Consumer Business").

The existing Thai Consumer Business commenced since April 2022 are part of the business of Achieva Technology (Thailand) Co., Ltd, a 49.0% owned subsidiary of Serial System Ltd. With the acquisition of Achieva Digital (Thailand) Company Limited by the Company, Achieva Technology (Thailand) Co., Ltd will cease its Thai Consumer Business Segment from mid of 2023.

The *pro forma* financial information for the financial year/period ended 31 December 2022 and 30 June 2023 is prepared to illustrate the effects of the financial information of the Thai Consumer Business, had Achieva Digital (Thailand) Company Limited operated the Thai Consumer Business from April 2022 onwards.

(b) On 14 April 2023, the Company entered into Sale and Purchase Agreements with an unrelated third party to dispose Axington Lao Co., Ltd and Axington Vietnam Limited at an aggregate cash consideration of SGD1. Axington Singapore Pte. Ltd has been struck off on 3 May 2023.

(c) The cost of reverse acquisition deemed to be incurred by the Targets (the legal subsidiaries) in the form of equity interests that the Targets issued to the shareholders of the Company (legal parent) measured at fair value is assumed to be approximately SGD6,000,000 (equivalent to USD4,479,283) for the purpose of this transaction. The fair value of the equity interest issued is derived based on the fair value of each ordinary share of the Targets. The fair value of each ordinary share of the Targets is assumed to be equivalent to the Purchase Consideration divided by the total number of ordinary shares of the Targets as at the acquisition date. The difference between the cost of the reverse acquisition and the fair values of the identifiable net assets/liabilities acquired is recognised as an expense in profit or loss. The fair value of the identifiable net liabilities acquired are assumed to be SGD1,592,886 (equivalent to USD1,189,165) which is equivalent to the carrying amounts of the net liabilities of the Company as at 31 December 2022. This may differ from the fair values of the identifiable net liabilities of the Company as at the actual date of completion of the Proposed Acquisition. The eventual amounts of any excess/shortfall of the shares issued by the Target over the fair value of the identifiable net liabilities of the Company to be recognised in profit or loss could be materially different from the amount derived based on the assumption used;

4 Basis of compilation of the unaudited *pro forma* financial information (continued)

4.6 (continued)

(d) The introducer fee related to the Proposed Acquisition is assumed to be approximately SGD500,000 (equivalent to USD372,908) as stated in the conditional SPA signed between the Company, the Controlling Shareholders and the Targets as described in Note 3.1 for the purpose of this transaction. The introducer fee shall be fully satisfied on completion of the Proposed Acquisition, by allotment and issuance of 16,949,153 new shares in the Enlarged Group. This may differ from the actual introducer fee as the actual cost of the introducer fee will depend on the share price of the Company at the date of the actual transfer of shares at the completion of the Proposed Acquisition;

(e) The acquisition-related costs (excluding introducer fee as described in Note 4.6(d)) relating to the Proposed Acquisition are assumed to be incurred during the financial year ended 31 December 2022 amounting to SGD1,300,000 (equivalent to USD970,511), deemed to remain outstanding as at 31 December 2022. During the period ended 30 June 2023, the actual acquisition-related cost incurred amounted to SGD750,870 (equivalent to USD561,919), of which SGD 549,130 (USD 408,592) still remain outstanding as accruals. The acquisition-related costs assumed to be recognised in profit or loss may differ from the actual cost at the completion of the Proposed Acquisition.

(f) At completion, an amount of USD3,000,000 due to immediate holding company was capitalised as share capital of the Company.

5 Statement of adjustments

The following adjustments have been made in arriving at the unaudited *pro forma* financial information:

(i) Unaudited *Pro Forma* Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2022

				Pro Forma Adjustments for the Enlarged Group					
	Audited Consolidated Financial Performance of the Company and its Subsidiaries USD	Audited Financial Performance of Achieva Technology Sdn Bhd USD	Summation of Financial Performance before Adjustment USD	4.6 (a) USD	4.6 (b) USD	4.6 (c) USD	4.6 (d) USD	4.6 (e) USD	Unaudited *Pro Forma* Financial Performance of the Enlarged Group USD
Revenue	–	37,244,261	37,244,261	7,422,238	–	–	–	–	44,666,499
Cost of sales	–	(35,932,791)	(35,932,791)	(7,128,547)	–	–	–	–	(43,061,338)
Gross profit	–	1,311,470	1,311,470	293,691	–	–	–	–	1,605,161
Other income	67,206	485,329	552,535	626,493	(61,393)	–	–	–	1,117,635
Interest	–	5,342	5,342	200	–	–	–	–	5,542
Other operating	67,206	479,987	547,193	626,293	(61,393)	–	–	–	1,112,093
Expenses:									
Distribution	–	(740,823)	(740,823)	(515,000)	–	–	–	–	(1,255,823)
Administrative	(241,881)	(679,026)	(920,907)	(193,815)	–	–	–	–	(1,114,722)
Finance	–	(265,663)	(265,663)	(104,009)	–	–	–	–	(369,672)
Other:									
Loss allowance on receivables	–	–	–	(3,362)	–	–	–	–	(3,362)
Other operating	(438,906)	(958,687)	(1,397,593)	(504,526)	17,739	(3,290,118)	(372,908)	(970,511)	(6,517,917)
Total expenses	(680,787)	(2,644,199)	(3,324,986)	(1,320,712)	17,739	(3,290,118)	(372,908)	(970,511)	(9,261,496)
Loss before income tax	(613,581)	(847,400)	(1,460,981)	(400,528)	(43,654)	(3,290,118)	(372,908)	(970,511)	(6,538,700)
Income tax expense	(13,608)	(1,862)	(15,470)	–	13,608	–	–	–	(1,862)
Loss after income tax	(627,189)	(849,262)	(1,476,451)	(400,528)	(30,046)	(3,290,118)	(372,908)	(970,511)	(6,540,562)
Attributable to:									
Equity holders of the Company	(639,110)	(849,262)	(1,488,372)	(196,258)	(18,125)	(3,290,118)	(372,908)	(970,511)	(6,336,292)
Non-controlling interests	11,921	–	11,921	(204,270)	(11,921)	–	–		(204,270)
	(627,189)	(849,262)	(1,476,451)	(400,528)	(30,046)	(3,290,118)	(372,908)	(970,511)	(6,540,562)

5 Statement of adjustments (continued)

(i) Unaudited *Pro Forma* Statement of Profit or Loss and Other Comprehensive Income for the financial year ended 31 December 2022 (continued)

	Audited Consolidated Financial Performance of the Company and its Subsidiaries	Audited Financial Performance of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	*Pro Forma* Adjustments for the Enlarged Group					Unaudited *Pro Forma* Financial Performance of the Enlarged Group
				4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Loss for the year	(627,189)	(849,262)	(1,476,451)	(400,528)	(30,046)	(3,290,118)	(372,908)	(970,511)	(6,540,562)
Other comprehensive income/(loss):									
Item that may be reclassified to profit or loss:									
Currency translation difference	873	(123,891)	(123,018)	–	(873)	–	–	–	(123,891)
Other comprehensive income/ (loss), net of tax	873	(123,891)	(123,018)	–	(873)	–	–	–	(123,891)
Total comprehensive loss, net of tax	(626,316)	(973,153)	(1,599,469)	(400,528)	(30,919)	(3,290,118)	(372,908)	(970,511)	(6,664,453)
Attributable to:									
Equity holders of the Company	(638,347)	(973,153)	(1,611,500)	(196,258)	(18,888)	(3,290,118)	(372,908)	(970,511)	(6,460,183)
Non-controlling interests	12,031	–	12,031	(204,270)	(12,031)	–	–	–	(204,270)
	(626,316)	(973,153)	(1,599,469)	(400,528)	(30,919)	(3,290,118)	(372,908)	(970,511)	(6,664,453)

5 Statement of adjustments (continued)

(ii) Unaudited *Pro Forma* Statement of Profit or Loss and Other Comprehensive Income for the financial period ended 30 June 2023

				Pro Forma Adjustments for the Enlarged Group					
	Unaudited Consolidated Financial Performance of the Company and its Subsidiaries USD	Unaudited Financial Performance of Achieva Technology Sdn Bhd USD	Summation of Financial Performance before Adjustment USD	4.6 (a) USD	4.6 (b) USD	4.6 (c) USD	4.6 (d) USD	4.6 (e) USD	Unaudited *Pro Forma* Financial Performance of the Enlarged Group USD
Revenue	–	21,402,158	21,402,158	13,004,294	–			–	34,406,452
Cost of sales	–	(20,636,159)	(20,636,159)	(12,366,436)	–			–	(33,002,595)
Gross profit	–	765,999	765,999	637,858	–			–	1,403,857
Other income	4,473	439,069	443,542	1,573	–			–	445,115
Interest	–	2,824	2,824	364	–			–	3,188
Other operating	4,473	436,245	440,718	1,209	–	–	–	–	441,927
Expenses:									
Distribution	–	(439,567)	(439,567)	(474,927)	–			–	(914,494)
Administrative	(121,234)	(69,325)	(190,559)	(59,606)	–			–	(250,165)
Finance	–	(197,844)	(197,844)	(30,944)	–			–	(228,788)
Other:									
Loss allowance on receivables	–	(4,038)	(4,038)	(1,044)	–			–	(5,082)
Other operating	(635,727)	(920,572)	(1,556,299)	(867,295)	8,596			561,919	(1,853,079)
Total expenses	(756,961)	(1,631,346)	(2,388,307)	(1,433,816)	8,596			561,919	(3,251,608)
Loss before income tax	(752,488)	(426,278)	(1,178,766)	(794,385)	8,596			561,919	(1,402,636)
Income tax expense	(114)	(1,050)	(1,164)	–	114			–	(1,050)
Loss after income tax	(752,602)	(427,328)	(1,179,930)	(794,385)	8,710			561,919	(1,403,686)
Attributable to:									
Equity holders of the Company	(749,674)	(427,328)	(1,177,002)	(389,249)	5,782			561,919	(998,550)
Non-controlling interests	(2,928)	–	(2,928)	(405,136)	2,928			–	(405,136)
	(752,602)	(427,328)	(1,179,930)	(794,385)	8,710			561,919	(1,403,686)

5 Statement of adjustments (continued)

(ii) Unaudited *Pro Forma* Statement of Profit or Loss and Other Comprehensive Income for the financial period ended 30 June 2023 (continued)

				Pro Forma Adjustments for the Enlarged Group					
	Unaudited Consolidated Financial Performance of the Company and its Subsidiaries	Unaudited Financial Performance of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	Unaudited *Pro Forma* Financial Performance of the Enlarged Group
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Loss for the period	(752,602)	(427,328)	(1,179,930)	(794,385)	8,710	–	–	561,919	(1,403,686)
Other comprehensive income/(loss):	–	–	–	–	–	–	–	–	–
Item that may be reclassified to profit or loss:									
Currency translation difference	661	(62,123)	(61,462)	–	(661)	–	–	–	(62,123)
Other comprehensive income/ (loss), net of tax	661	(62,123)	(61,462)	–	(661)	–	–	–	(62,123)
Total comprehensive loss,net of tax	(751,941)	(489,451)	(1,241,392)	(794,385)	8,049	–	–	561,919	(1,465,809)
Attributable to:									
Equity holders of the Company	(749,013)	(489,451)	(1,238,464)	(389,249)	5,121	–	–	561,919	(1,060,673)
Non-controlling interests	(2,928)	–	(2,928)	(405,136)	2,928	–	–	–	(405,136)
	(751,941)	(489,451)	(1,241,392)	(794,385)	8,049	–	–	561,919	(1,465,809)

AXINGTON INC
(Incorporated in Labuan)
AND ITS SUBSIDIARIES

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 AND SIX-MONTHS PERIOD ENDED 30 JUNE 2023

5 Statement of adjustments (continued)

(iii) Unaudited *Pro Forma* Statement of Financial Position as at 31 December 2022

				Pro Forma Adjustments for the Enlarged Group						
	Audited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Audited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	4.6 (f)	Unaudited *Pro Forma* Statement of Financial Position
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
ASSETS										
Current assets										
Cash and cash equivalents	862,344	1,342,960	2,205,304	–	(5,804)	–	–	–	–	2,199,500
Restricted deposit	462,859	–	462,859	–	–	–	–	–	–	462,859
Trade and other receivables	473	6,835,068	6,835,541	–	–	–	–	–	–	6,835,541
Amounts due from related companies and immediate holding company	–	131,538	131,538	–	–	–	–	–	–	131,538
Inventories	–	6,855,793	6,855,793	–	–	–	–	–	–	6,855,793
Tax recoverable	–	2,095	2,095	–	–	–	–	–	–	2,095
	1,325,676	15,167,454	16,493,130	–	(5,804)	–	–	–	–	16,487,326
Non-current asset										
Property, plant and equipment	–	135,185	135,185	–	–	–	–	–	–	135,185
Investment property	–	113,507	113,507	–	–	–	–	–	–	113,507
	–	248,692	248,692	–	–	–	–	–	–	248,692
Total assets	1,325,676	15,416,146	16,741,822	–	(5,804)	–	–	–	–	16,736,018

5 Statement of adjustments (continued)

(iii) Unaudited *Pro Forma* Statement of Financial Position as at 31 December 2022 (continued)

				Pro Forma Adjustments for the Enlarged Group						
	Audited Consolidated Statement of Financial Position of the Company and its Subsidiaries USD	Audited Statement of Financial Position of Achieva Technology Sdn Bhd USD	Summation of Financial Performance before Adjustment USD	4.6 (a) USD	4.6 (b) USD	4.6 (c) USD	4.6 (d) USD	4.6 (e) USD	4.6 (f) USD	Unaudited *Pro Forma* Statement of Financial Position USD
LIABILITIES										
Current liabilities										
Trade and other payables	130,529	1,498,671	1,629,200	–	178	–	–	970,511	–	2,599,889
Amounts due to ultimate, immediate holding company and related companies	–	6,791,001	6,791,001	–	–	–	–	–	(3,000,000)	3,791,001
Borrowings	–	5,671,661	5,671,661	–	–	–	–	–	–	5,671,661
	130,529	13,961,333	14,091,862	–	178	–	–	970,511	(3,000,000)	12,062,551
Non-current liabilities										
Borrowings	–	10,558	10,558	–	–	–	–	–	–	10,558
	–	10,558	10,558	–	–	–	–	–	–	10,558
Total liabilities	130,529	13,971,891	14,102,420	–	178	–	–	970,511	(3,000,000)	12,073,109
NET ASSETS	1,195,147	1,444,255	2,639,402	–	(5,982)	–	–	(970,511)	3,000,000	4,662,909
EQUITY										
Capital and reserves attributable to equity holders of the Company										
Share capital	1,814,870	5,647,663	7,462,533	–	–	2,664,413	372,908	–	3,000,000	13,499,854
Other reserves	1,781	596,176	597,957	–	(2,407)	626	–	–	–	596,176
Accumulated losses	(617,802)	(4,799,584)	(5,417,386)	–	(7,277)	(2,665,039)	(372,908)	(970,511)	–	(9,433,121)
	1,198,849	1,444,255	2,643,104	–	(9,684)	–	–	(970,511)	3,000,000	4,662,909
Non-controlling interests	(3,702)	–	(3,702)	–	3,702	–	–	–	–	–
TOTAL EQUITY	1,195,147	1,444,255	2,639,402	–	(5,982)	–	–	(970,511)	3,000,000	4,662,909

5 Statement of adjustments (continued)

(iv) Unaudited *Pro Forma* Statement of Financial Position as at 30 June 2023

				Pro Forma Adjustments for the Enlarged Group						
	Unaudited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Unaudited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	4.6 (f)	Unaudited *Pro Forma* Statement of Financial Position
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
ASSETS										
Current assets										
Cash and cash equivalents	379,676	918,222	1,297,898	–	–	–	–	–	–	1,297,898
Restricted deposit	457,430	–	457,430	–	–	–	–	–	–	457,430
Trade and other receivables	239	7,971,145	7,971,384	–	–	–	–	–	–	7,971,384
Amounts due from related companies and immediate holding company	–	–	–	–	–	–	–	–	–	–
Inventories	–	4,674,083	4,674,083	–	–	–	–	–	–	4,674,083
Tax recoverable	–	2,470	2,470	–	–	–	–	–	–	2,470
	837,345	13,565,920	14,403,265	–	–	–	–	–	–	14,403,265
Non-current asset										
Property, plant and equipment	–	73,033	73,033	–	–	–	–	–	–	73,033
Investment property	–	106,872	106,872	–	–	–	–	–	–	106,872
	–	179,905	179,905	–	–	–	–	–	–	179,905
Total assets	837,345	13,745,825	14,583,170	–	–	–	–	–	–	14,583,170

5 Statement of adjustments (continued)

(iv) Unaudited *Pro Forma* Statement of Financial Position as at 30 June 2023 (continued)

				Pro Forma Adjustments for the Enlarged Group						
	Unaudited Consolidated Statement of Financial Position of the Company and its Subsidiaries USD	Unaudited Statement of Financial Position of Achieva Technology Sdn Bhd USD	Summation of Financial Performance before Adjustment USD	4.6 (a) USD	4.6 (b) USD	4.6 (c) USD	4.6 (d) USD	4.6 (e) USD	4.6 (f) USD	Unaudited *Pro Forma* Statement of Financial Position USD
LIABILITIES										
Current liabilities										
Trade and other payables	397,541	1,080,026	1,477,567	–	(8,397)	–	–	408,592	–	1,877,762
Amounts due to ultimate, immediate holding company and related companies	–	5,030,640	5,030,640	–	–	–	–	–	(3,000,000)	2,030,640
Borrowings	–	6,680,355	6,680,355	–	–	–	–	–	–	6,680,355
	397,541	12,791,021	13,188,562	–	(8,397)	–	–	408,592	(3,000,000)	10,588,757
Non-current liabilities										
Borrowings	–	–	–	–	–	–	–	–	–	–
				–	–	–	–	–	–	–
Total liabilities	397,541	12,791,021	13,188,562	–	(8,397)	–	–	408,592	(3,000,000)	10,588,757
NET ASSETS	439,804	954,804	1,394,608	–	8,397	–	–	(408,592)	3,000,000	3,994,413
EQUITY										
Capital and reserves attributable to equity holders of the Company										
Share capital	1,814,870	5,647,663	7,462,533	–	–	2,664,413	372,908	–	3,000,000	13,499,854
Other reserves	(1,045)	534,053	533,008	–	419	626	–	–	–	534,053
Accumulated losses	(1,367,476)	(5,226,912)	(6,594,388)	–	1,433	(2,665,039)	(372,908)	(408,592)	–	(10,039,494)
	446,349	954,804	1,401,153	–	1,852	–	–	(408,592)	3,000,000	3,994,413
Non-controlling interests	(6,545)	–	(6,545)	–	6,545	–	–	–	–	–
TOTAL EQUITY	439,804	954,804	1,394,608	–	8,397	–	–	(408,592)	3,000,000	3,994,413

5 Statement of adjustments (continued)

(v) Unaudited *Pro Forma* Statement of Cash Flows for the financial year ended 31 December 2022

				Pro Forma Adjustments for the Enlarged Group					
	Audited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Audited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	Unaudited *Pro Forma* Statement of Cash Flows
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cash Flows from operating activities									
Loss before income tax	(613,581)	(847,400)	(1,460,981)	(400,528)	(43,654)	(3,290,118)	(372,908)	(970,511)	(6,538,700)
Adjustments for:									
Loss on reverse acquisition	–	–	–	–	–	3,290,118	–	–	3,290,118
Introducer fees	–	–	–	–	–	–	372,908	–	372,908
Depreciation of property, plant and equipment	–	119,796	119,796	–	–	–	–	–	119,796
Gain on disposal of property, plant and equipment	–	(11,841)	(11,841)	–	–	–	–	–	(11,841)
Fair value changes on investment property	–	4,554	4,554	–	–	–	–	–	4,554
Reversal of accrual expenses	(67,189)	–	(67,189)	–	–	–	–	–	(67,189)
Reversal of impairment loss on receivables, net	–	(18,260)	(18,260)	3,362	–	–	–	–	(14,898)
Allowances for inventories obsolescence	–	203,796	203,796	–	–	–	–	–	203,796
Interest income	–	(5,342)	(5,342)	(200)	–	–	–	–	(5,542)
Interest expenses	–	265,663	265,663	104,009	–	–	–	–	369,672
Unrealised exchange difference	–	(139,432)	(139,432)	–	–	–	–	–	(139,432)

5 Statement of adjustments (continued)

(v) Unaudited *Pro Forma* Statement of Cash Flows for the financial year ended 31 December 2022 (continued)

				Pro Forma Adjustments for the Enlarged Group					
	Audited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Audited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	Unaudited *Pro Forma* Statement of Cash Flows
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Operating cash flows before working capital changes	(680,770)	(428,466)	(1,109,236)	(293,357)	(43,654)	–	–	(970,511)	(2,416,758)
Changes in working capital changes:									
Trade and other receivables	54,498	(794,021)	(739,523)	–	–	–	–	–	(739,523)
Inventories	–	(1,831,125)	(1,831,125)	–	–	–	–	–	(1,831,125)
Trade and other payables	20,157	1,064,865	1,085,022	293,357	37,850	–	–	970,511	2,386,740
Amounts due to immediate holding companies	–	1,979,924	1,979,924	–	–	–	–	–	1,979,924
Amounts due from/to related companies	–	(510,627)	(510,627)	–	–	–	–	–	(510,627)
Cash used in operations	(606,115)	(519,450)	(1,125,565)	–	(5,804)	–	–	–	(1,131,369)
Interest received	–	5,342	5,342	–	–	–	–	–	5,342
Interest paid	–	(259,846)	(259,846)	–	–	–	–	–	(259,846)
Income taxes paid	(13,438)	(2,497)	(15,935)	–	–	–	–	–	(15,935)
Net cash used in operating activities	(619,553)	(776,451)	(1,396,004)	–	(5,804)	–	–	–	(1,401,808)

5 Statement of adjustments (continued)

(v) Unaudited *Pro Forma* Statement of Cash Flows for the financial year ended 31 December 2022 (continued)

				Pro Forma Adjustments for the Enlarged Group					
	Audited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Audited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	Unaudited *Pro Forma* Statement of Cash Flows
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cash Flows from Investing Activities									
Payments for property, plant and equipment	–	(622)	(622)	–	–	–	–	–	(622)
Proceeds from disposal of property, plant and equipment	–	11,841	11,841	–	–	–	–	–	11,841
Advances to related companies	–	(1,419)	(1,419)	–	–	–	–	–	(1,419)
Withdrawal of restricted deposit in escrow account	19,410,228	–	19,410,228	–	–	–	–	–	19,410,228
Net cash generated from investing activities	19,410,228	9,800	19,420,028	–	–	–	–	–	19,420,028
Cash Flows from Financing Activities									
Proceeds from borrowings	–	22,759,649	22,759,649	–	–	–	–	–	22,759,649
Repayment of borrowings	–	(21,760,674)	(21,760,674)	–	–	–	–	–	(21,760,674)
Principal payment of lease liabilities	–	(107,635)	(107,635)	–	–	–	–	–	(107,635)
Advances from ultimate holding company, net	–	287,711	287,711	–	–	–	–	–	287,711
Repayment to immediate holding company, net	–	(591,017)	(591,017)	–	–	–	–	–	(591,017)
Advances from related companies, net	–	68,977	68,977	–	–	–	–	–	68,977
Cash distributed to shareholders arising from capital reduction of the Company	(8,892,870)	–	(8,892,870)	–	–	–	–	–	(8,892,870)
Cash distributed to non-controlling interest arising from capital reduction of a subsidiary	(747)	–	(747)	–	–	–	–	–	(747)
Dividends paid	(10,524,076)	–	(10,524,076)	–	–	–	–	–	(10,524,076)
Net cash (used in)/generated from financing activities	(19,417,693)	657,011	(18,760,682)	–	–	–	–	–	(18,760,682)

5 Statement of adjustments (continued)

(v) Unaudited *Pro Forma* Statement of Cash Flows for the financial year ended 31 December 2022 (continued)

				Pro Forma Adjustments for the Enlarged Group					
	Audited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Audited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	Unaudited *Pro Forma* Statement of Cash Flows
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net decrease in cash and cash equivalents	(627,018)	(109,640)	(736,658)	–	(5,804)	–	–	–	(742,462)
Effect of exchange rate fluctuations on cash and cash equivalents	(5,226)	4,595	(631)	–	–	–	–	–	(631)
Cash and cash equivalents at beginning of the financial year	1,494,588	1,448,005	2,942,593	–	–	–	–	–	2,942,593
Cash and cash equivalents at end of the financial year	862,344	1,342,960	2,205,304	–	(5,804)	–	–	–	2,199,500

5 Statement of adjustments (continued)

(vi) Unaudited *Pro Forma* Statement of Cash Flows for the financial year ended 30 June 2023

				Pro Forma Adjustments for the Enlarged Group					
	Unaudited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Unaudited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	Unaudited *Pro Forma* Statement of Cash Flows
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cash Flows from operating activities									
Loss before income tax	(752,488)	(426,278)	(1,178,766)	(794,385)	8,596	–	–	561,919	(1,402,636)
Adjustments for:									
Loss on reverse acquisition	–	–	–	–	–	–	–	–	–
Introducer fees	–	–	–	–	–	–	–	–	–
Depreciation of property, plant and equipment	–	58,875	58,875	3,040	–	–	–	–	61,915
Gain on disposal of property, plant and equipment	–	96	96	1,933	–	–	–	–	2,029
Fair value changes on investment property	–	–	–	–	–	–	–	–	–
Reversal of accrual expenses	–	–	–	–	–	–	–	–	–
Reversal of impairment loss on receivables, net	–	4,038	4,038	1,044	–	–	–	–	5,082
Allowances for inventories obsolescence	–	48,951	48,951	350,862	–	–	–	–	399,813
Interest income	–	(2,824)	(2,824)	(364)	–	–	–	–	(3,188)
Interest expenses	–	197,844	197,844	30,944	–	–	–	–	228,788
Unrealised exchange difference	–	162,744	162,744	658,831	–	–	–	–	821,575

5 Statement of adjustments (continued)

(vi) Unaudited *Pro Forma* Statement of Cash Flows for the financial year ended 30 June 2023 (continued)

				Pro Forma Adjustments for the Enlarged Group					
	Unaudited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Unaudited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	Unaudited *Pro Forma* Statement of Cash Flows
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Operating cash flows before working capital changes	(752,488)	43,446	(709,042)	251,905	8,596	–	–	561,919	113,378
Changes in working capital changes:									
Trade and other receivables	228	(1,446,908)	(1,446,680)	–	–	–	–	–	(1,446,680)
Inventories	–	1,734,531	1,734,531	–	–	–	–	–	1,734,531
Trade and other payables	268,543	(396,478)	(127,935)	(251,905)	(8,596)	–	–	(561,919)	(950,355)
Amounts due to immediate holding companies	–	(1,759,208)	(1,759,208)	–	–	–	–	–	(1,759,208)
Amounts due from/to related companies	–	(553,649)	(553,649)	–	–	–	–	–	(553,649)
Cash used in operations	(483,717)	(2,378,266)	(2,861,983)	–	–	–	–	–	(2,861,983)
Interest received		2,824	2,824	–	–	–	–	–	2,824
Interest paid		(196,327)	(196,327)	–	–	–	–	–	(196,327)
Income taxes paid	–	(1,575)	(1,575)	–	–	–	–	–	(1,575)
Net cash used in operating activities	(483,717)	(2,573,344)	(3,057,061)	–	–	–	–	–	(3,057,061)

5 Statement of adjustments (continued)

(vi) Unaudited *Pro Forma* Statement of Cash Flows for the financial year ended 30 June 2023 (continued)

				Pro Forma Adjustments for the Enlarged Group					
	Unaudited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Unaudited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	Unaudited *Pro Forma* Statement of Cash Flows
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Cash Flows from Investing Activities									
Payments for property, plant and equipment	–	(1,734)	(1,734)	–	–	–	–	–	(1,734)
Proceeds from disposal of property, plant and equipment	–	–	–	–	–	–	–	–	–
Advances to related companies	–	–	–	–	–	–	–	–	–
Withdrawal of restricted deposit in escrow account	–	–	–	–	–	–	–	–	–
Net cash generated from investing activities	–	(1,734)	(1,734)	–	–	–	–	–	(1,734)
Cash Flows from Financing Activities									
Proceeds from borrowings	–	20,794,611	20,794,611	–	–	–	–	–	20,794,611
Repayment of borrowings	–	(19,339,256)	(19,339,256)	–	–	–	–	–	(19,339,256)
Principal payment of lease liabilities	–	(53,298)	(53,298)	–	–	–	–	–	(53,298)
Advances from ultimate holding company, net	–	(209,954)	(209,954)	–	–	–	–	–	(209,954)
Repayment to immediate holding company, net	–	260,069	260,069	–	–	–	–	–	260,069
Advances from related companies, net	–	885,427	885,427	–	–	–	–	–	885,427
Cash distributed to shareholders arising from capital reduction of the Company	–	–	–	–	–	–	–	–	–
Cash distributed to non-controlling interest arising from capital reduction of a subsidiary	–	–	–	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	–	–	–
Net cash (used in)/generated from financing activities	–	2,337,599	2,337,599	–	–	–	–	–	2,337,599

5 Statement of adjustments (continued)

(vi) Unaudited *Pro Forma* Statement of Cash Flows for the financial year ended 30 June 2023 (continued)

				Pro Forma Adjustments for the Enlarged Group					
	Unaudited Consolidated Statement of Financial Position of the Company and its Subsidiaries	Unaudited Statement of Financial Position of Achieva Technology Sdn Bhd	Summation of Financial Performance before Adjustment	4.6 (a)	4.6 (b)	4.6 (c)	4.6 (d)	4.6 (e)	Unaudited *Pro Forma* Statement of Cash Flows
	USD	USD	USD	USD	USD	USD	USD	USD	USD
Net decrease in cash and cash equivalents	(483,717)	(237,479)	(721,196)	–	–	–	–	–	(721,196)
Effect of exchange rate fluctuations on cash and cash equivalents	1,050	(187,259)	(186,209)	–	–	–	–	–	(186,209)
Cash and cash equivalents at beginning of the financial year	862,343	1,342,960	2,205,303	–	–	–	–	–	2,205,303
Cash and cash equivalents at end of the financial period	379,676	918,222	1,297,898	–	–	–	–	–	1,297,898

5 Statement of adjustments (continued)

Notes to the *Pro Forma* Adjustments for the Enlarged Group

(a) Being adjustment to reflect the results of the existing Thai Consumer Business which will be operating under Achieva Digital (Thailand) Company Limited as described in Note 4.6(a).

(b) Being adjustment to reflect the effects of the disposal and strike off of subsidiaries as described in Note 4.6(b).

(c) Being adjustment to reflect the effects of the reverse acquisition as described in Note 4.6(c).

(d) Being adjustment to reflect the introducer fee as described in Note 4.6(d).

(e) Being adjustment to reflect the acquisition-related costs relating to the Proposed Acquisition as described in Note 4.6(e).

(f) Being adjustment to reflect the capitalisation of the amount due to immediate holding company as described in Note 4.6(f).

6 Summary of significant accounting policies

The unaudited *pro forma* financial information of the Enlarged Group is prepared using the same accounting policies as the audited financial statements of the Achieva Technology Sdn Bhd for the financial year ended 31 December 2022 as disclosed in Note 3 to the audited financial statements of Achieva Technology Sdn Bhd for the financial year ended 31 December 2022 as included in Appendix B of the circular.

7 Other operating expenses

	For the period ended 30 June 2023 USD	For the year ended 31 December 2022 USD
This is arrived at after charging:		
Loss on reverse acquisition (Note 8)	–	3,290,118
Reverse acquisition expenses	–	970,511
Introduction fees	–	372,908
Foreign exchange loss	894,931	681,802
Allowance for inventories obsolescence	399,813	399,130
Derivatives financial instruments	–	209,490
Others	558,335	593,958
	1,853,079	6,517,917

8 Loss on reverse acquisition

	For the period ended 30 June 2023 USD	For the year ended 31 December 2022 USD
Cost of reverse acquisition (Note 4.6(c))	–	4,479,283
Net assets acquired (Note 4.6(c))	–	(1,189,165)
Loss on reverse acquisition	–	3,290,118

9 Loss per share

Basic loss per share are calculated by dividing the net loss attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial period/year.

The number of ordinary shares (pre consolidation) outstanding is based on the number of shares of the Company as at 31 December 2022 and 30 June 2023 assuming the Proposed Acquisition occurred on 1 January 2022.

	Number of shares issued
Share capital of the Company (excluding treasury shares) as at 31 December 2022 and 30 June 2023 before the Proposed Acquisition	186,710,300
Issuance of shares pursuant to the Proposed Acquisition	915,254,237
Issuance of shares pursuant to the Introducer fee	16,949,153
Issuance of shares pursuant to intercompany loan settlement	139,281,352
Share capital of the Company as at 31 December 2022 and 30 June 2023 after the Proposed Acquisition (Pre-consolidation)	1,258,195,042

	For the period ended 30 June 2023	For the year ended 31 December 2022
Net loss attributable to equity holders of the Company (USD)	(998,550)	(6,336,292)
Weighted average number of ordinary shares (pre consolidation) outstanding for the purposes of basic loss per share	1,258,195,042	1,258,195,042
Basic and diluted loss per share (cents)	(0.08)	(0.50)

The diluted loss per share is the same as basic loss per share as there are no potential dilutive ordinary shares.

W CAPITAL MARKETS PTE. LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 201813207E)
65 Chulia Street
#43-01 OCBC Centre
Singapore 049513

27 December 2023

The Directors of Axington Inc. who are considered independent for the purpose of the Proposed Whitewash Resolution and the Proposed IPT Mandate (the "**Independent Recommending Directors**").

Mr Roberto Dona	Non-Executive Chairman and Independent Director
Mr Ang Chiang Meng	Executive Director
Mr Teo Choon Kow @ William Teo	Independent Non-Executive Director
Mr Luke Anthony Furler	Independent Non-Executive Director

Dear Sirs,

(I) THE PROPOSED WHITEWASH RESOLUTION; AND

(II) THE PROPOSED ADOPTION OF A GENERAL MANDATE FOR CERTAIN INTERESTED PERSON TRANSACTIONS

*Unless otherwise defined or the context otherwise requires, all capitalised terms defined in the circular dated 27 December 2023 ("**Circular**") issued by Axington Inc. (the "**Company**", and together with its subsidiaries, the "**Group**") shall have the same meanings herein.*

1. INTRODUCTION

Axington Inc. (the "**Company**", and together with its subsidiaries, the "**Group**") is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and has been designated as a "cash company" pursuant to Rule 1017 of the Catalist Rules since 1 April 2021.

Pursuant to Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove the Company from the Official List if it is unable to meet the requirements for a new listing within twelve (12) months from the time it becomes a cash company. The Company may (through its sponsor) apply to the SGX-ST for a maximum six (6)-month extension to the 12-month period if it has already signed a definitive agreement for the acquisition of a new business, of which the acquisition must be completed in the six (6)-month extension period. The extension is subject to the Company providing information to investors on its progress in meeting key milestones in the transaction. In the event the Company is unable to meet its milestones, or complete the relevant acquisition despite the extension granted, no further extension will be granted and the Company will be removed from the Official List and a cash exit offer in accordance with Rule 1308 of the Catalist Rules should be made to its shareholders within six (6) months.

On 2 September 2022, the Company announced that it has entered into a conditional sale and purchase agreement ("**SPA**") with Serial I-Tech (Far East) Pte. Ltd. (the "**Vendor**") pursuant to which the Company will acquire from the Vendor 100% of the ordinary shares in the issued and paid-up share capital of Achieva Technology Sdn. Bhd. (the "**Target Company**"), subject

to the terms and conditions of the SPA, as amended by the Amendment Letter (the "**Proposed Acquisition**"). Under the terms of the Amendment Letter, and in order to resolve the conflicts of interest between Serial System and the Group post-Completion, the Company has also agreed to acquire 49% of the issued and paid-up share capital of Target Thai Company, which is a dormant company and which will, prior to Completion, acquire all of the employees and agreements relating its business of the sale of information technology computer peripherals, parts, software and related products in Thailand. The Proposed Acquisition will constitute a "reverse takeover" transaction pursuant to Chapter 10 of the Catalist Rules and is subject to the approval of the SGX-ST and the approval of the shareholders of the Company at an extraordinary general meeting ("**EGM**") to be convened.

Completion of the Proposed Acquisition in conditional upon, *inter alia*, the Securities Industry Council ("**SIC**") having granted the Vendor and its concert parties (and not having revoked or repealed such grant) a waiver of their obligation to make a mandatory offer under Rule 14 of the Singapore Code on Take-overs and Mergers (the "**Code**") for the shares of the Company (the "**Shares**") not owned or controlled by the Vendor and its concert parties and from having to comply with the requirements of Rule 14 of the Code (the "**Whitewash Waiver**"), subject to (i) any conditions or restrictions that the SIC may impose, provided that such conditions or restrictions are reasonably acceptable to the Vendor and its concert parties; and (ii) the independent Shareholders approving at a general meeting of the Company the proposed ordinary resolution in respect of the Whitewash Waiver (the "**Proposed Whitewash Resolution**").

The Enlarged Group anticipates that it would, in the ordinary course of business, continue to enter into certain transactions with the Mandated Interested Person (as set out in Section 29.5 of the Target Group's Letter to Shareholders) and will be seeking a general mandate from Shareholders pursuant to Chapter 9 of the Catalist Rules to enable any or all members of the Enlarged Group, in the ordinary course of their business, to enter into the Mandated Transactions with the Mandated Interested Person which are necessary for its day-to-day operations (the "**Proposed IPT Mandate**"). To ensure that such Mandated Transactions will be on an arm's length basis, will be on normal commercial terms and will not be prejudicial to the interest of the Company and its minority Shareholders, the Mandated Transactions will be subject to the review procedures under the Proposed IPT Mandate as set out in Section 29.5 of the Target Group's Letter to Shareholders. The Proposed IPT Mandate will be effective until the conclusion of the Company's first annual general meeting following Completion. Thereafter, the Company will seek the approval of its Shareholders for a renewal of the Proposed IPT Mandate at each subsequent annual general meeting, subject to satisfactory review by the New Audit and Risk Committee of its continued application to the Mandated Transactions with the Mandated Interested Person.

2. TERMS OF REFERENCE

W Capital Markets Pte. Ltd. ("**W Capital**") has been appointed as the Independent Financial Adviser to render a written opinion in respect of (a) whether the Proposed Whitewash Resolution is prejudicial to the interests of the Company and its independent Shareholders ("**Independent Shareholders**") when considered in the context of the Proposed Acquisition; and (b) whether the methods or procedures for determining the transaction prices under the Proposed IPT Mandate are sufficient to ensure that the recurrent Interested Person Transactions covered by the Proposed IPT Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

We were not involved in or responsible for, in any aspect, the discussions in relation to the Proposed Acquisition, nor were we involved in the deliberation leading up to the decision on the part of the directors of the Company ("**Directors**") to enter into the Proposed Acquisition. Further, we do not warrant the merits of the Proposed Acquisition, other than to express an opinion on the Proposed Whitewash Resolution and the Proposed IPT Mandate.

In the course of our evaluation, we have held discussions with the management of the Company ("**Management**") and have examined and relied to a considerable extent on publicly available information collated by us, as well as information provided and representations made to us, both written and verbal, by the Directors and/or the Management, including information contained in the Circular. We have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information but nevertheless have made such reasonable enquiries and exercised our judgment on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information. In this regard, we noted that the Directors have collectively and individually accepted full responsibility for the accuracy of the information given in the Circular as set out in the "Directors' Responsibility Statement" in Section 34 of the Circular.

For the purpose of assessing the terms of the Proposed Acquisition, we have not relied upon any financial projections in respect of the Target Group, the Company and/or the Group and we have not conducted a comprehensive review of the business, operations and financial condition of the Group or the Enlarged Group after the Proposed Acquisition. We have not made any independent appraisal of the assets, liabilities and/or profitability of the Target Group, the Company or the Group and we do not express a view on the financial position, future growth prospects and earning potential of the Group after the completion of the Proposed Acquisition. As such and where relevant, we have relied on the disclosures and representations made by the Company on the value of the assets and liabilities and profitability of the Target Group, the Company or the Group (as the case may be). In this respect, we have been furnished with, *inter alia*, a valuation report dated 27 December 2023 (the "**Independent Valuation**") prepared by AVA Associates Limited (the "**Independent Business Valuer**") in relation to the independent valuation of the market value of 100% equity interest in Target Company and 49% equity interest in Target Thai Company as at a valuation date of 30 June 2023. As we are not experts in the evaluation or appraisal of the assets covered by the Independent Valuation, we have placed sole reliance on the appraisal in relation to the market value of the Target Group as assessed by the Independent Business Valuer pursuant to the Independent Valuation.

Our opinion as set out in this IFA Letter is based on market, economic, industry, monetary and other conditions (if applicable) prevailing as of 15 December 2023 ("**Latest Practicable Date**" or "**LPD**") and the information and representations provided to us as of the Latest Practicable Date. We assume no responsibility to update, revise or reaffirm our opinion in light of any subsequent development after the Latest Practicable Date that may affect our opinion contained herein. Shareholders should take note of any announcement relevant to the Proposed Acquisition, the Proposed Whitewash Resolution and/or the Proposed IPT Mandate which may be released by the Company after the Latest Practicable Date.

In rendering our opinion and advice in relation to the Proposed Whitewash Resolution and Proposed IPT Mandate, we did not have regard to the specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints of any individual Shareholder or any specific group of Shareholders. Accordingly, any individual Shareholder or group of Shareholders who may require specific advice in relation to his or their investment portfolio(s) should consult his or their legal, financial, tax or other professional adviser.

The Company has been separately advised by its own professional advisers in the preparation of the Circular (other than this IFA Letter). We have had no role or involvement, and do not provide any advice (financial or otherwise), in the preparation, review and verification of the Circular (other than this IFA Letter). Accordingly, we take no responsibility for and express no views, whether express or implied, on the contents of the Circular (other than this IFA Letter).

Our opinion in relation to the Proposed Whitewash Resolution and the Proposed IPT Mandate should be considered in the context of the entirety of this IFA Letter and the Circular.

3. INFORMATION ON THE TARGET GROUP AND THE ENLARGED GROUP

The following paragraphs have been extracted from Section 2.3 of the Circular and are set out in italics. Shareholders are advised to read the entire Circular including the following sections, as extracted below, carefully. Further details of the business of the Target Group are also set out in Section 3 of the Target Group's Letter to Shareholders.

"***2.3 Information on the Target Group and the Enlarged Group***

The Target Company

The Target Company, incorporated in Malaysia on 8 June 1996, is a private company limited by shares and is in the business of distributing information technology computer peripherals, parts, software and related products in Malaysia. As at the date of this letter, the Target Company is an indirect wholly-owned subsidiary of Serial System, and will, upon completion of the Proposed Acquisition, be wholly-owned by the Company. Further information on the Target Company and its business can be found in the Target Group's Letter to Shareholders.

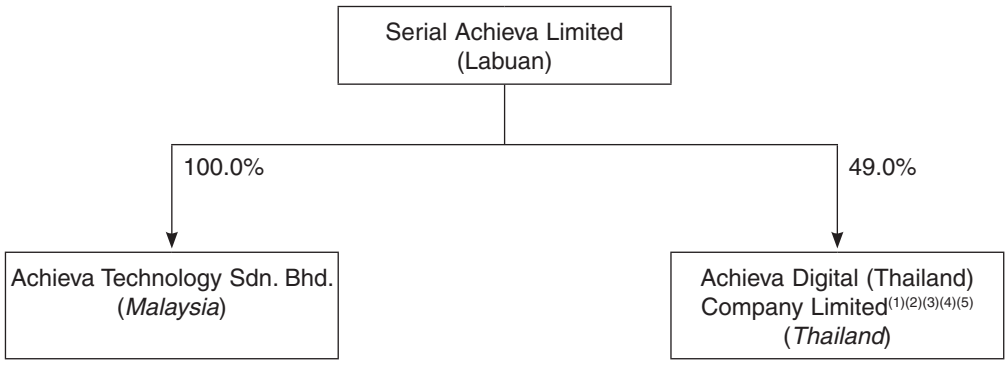
The Target Thai Company

The Target Thai Company, incorporated in Thailand on 22 May 2023, is a private company limited by shares and as at the date of this Circular, is a dormant company. Under the terms of the SPA, the Vendor will procure the transfer of the Thai IT Consumer Business from the Existing Thai Company to the Target Thai Company prior to Completion. The transfer of the Thai IT Consumer Business from the Existing Thai Company to the Target Thai Company would not involve a transfer of any assets or liabilities. Upon Completion, the Company will acquire a 49.0% shareholding interest in the Target Thai Company. Further information on the Thai IT Consumer Business can be found in the Target Group's Letter to Shareholders.

The Enlarged Group

After Completion, the business of the Enlarged Group will comprise wholly of the business of the Target Company and the Target Thai Company.

After Completion, the group structure of the Enlarged Group will be as follows:



Notes:

(1) Achieva Digital (Thailand) Company Limited, being the Target Thai Company, is owned as to 49.0% by the Company and 51.0% by Mr Natthawat, who is unrelated to the Company, its subsidiaries, its Directors or Substantial Shareholders, the Target Group, or the Target Group's Directors. Mr Natthawat is a Thai national and is presently in charge of the day-to-day operations of the Existing Thai Company and, upon Completion, will be an employee of the Target Thai Company. By virtue of his contributions to the Existing Thai Company and, in view of Mr Natthawat's future contributions to the Target Thai Company, Mr Natthawat will, as joint venture partner, hold 51.0% of the shares in the Target Thai Company. In addition, as the Target Thai Company is majority-owned by a Thai national, the Target Thai Company would not be required to obtain a foreign business license from the Ministry of Commerce to operate its business in Thailand.

(2) The legal advisers in respect of the Proposed Acquisition as to Thai laws have confirmed that the shareholding structure of the Target Thai Company is in compliance with Thai laws and is not contrary to applicable laws and regulations regarding foreign ownership restrictions, on the assumption that, among others, the investment by Mr Natthawat in the Target Thai Company is genuine and Mr Natthawat does not hold shares for or on behalf of any non-Thai person. Mr Natthawat has further confirmed that his investment in the Target Thai Company is genuine and he does not hold shares in the Target Thai Company on behalf of any non-Thai person.

(3) Dividends declared by the Target Thai Company will be declared in the proportion of its shareholding structure.

(4) The Target Thai Company is a subsidiary of the Company. Pursuant to section 5 of the Companies Act, a corporation is deemed to be a subsidiary of another corporation if, among others, the other corporation controls the composition of the board of directors of the first mentioned corporation, and the composition of a corporation's board of directors shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can appoint or remove all or a majority of the directors. Under the terms of the Target Thai Company SHA, the Company has the power to appoint a majority of the directors of the Target Thai Company.

(5) The Target Company will be considered a principal subsidiary of the Enlarged Group for purposes of the Catalist Rules.

As at the Latest Practicable Date, details of the Enlarged Group are as follows:

Name of entity	***Date and country of incorporation***	***Principal activities and place of business***	***Issued and paid-up share capital***	***Effective ownership***	***Directors of subsidiary***	***Auditor***
Target Company	*8 June 1996, Malaysia*	*Distributor of IT products and computer peripherals / Malaysia*	*RM 20,356,157*	*100.0%*	*Mr Jason Soh, Ms Ellen Yap*	*Moore Stephens Associates PLT, a member firm of Moore Global Network Limited*
Target Thai Company	*22 May 2023, Thailand*	*Distributor of IT products and computer peripherals / Thailand*	*THB 1,000,000*	*49.0%*	*Mr Kenny Sim, Mr Jason Soh*	*Pitisevi Co., Ltd, a member firm of Moore Global Network Limited*

4. SALIENT TERMS OF THE PROPOSED ACQUISITION

The principal terms of the SPA in relation to the Proposed Acquisition can be found in Section 2.5 of the Circular and we recommend that Shareholders read those pages of the Circular carefully. We set out below some of the salient terms of the Proposed Acquisition that we wish to highlight.

4.1 Purchase Consideration

The Purchase Consideration payable by the Company to the Vendor for the Sale Shares shall be S$27,000,000.

4.2 Bases and Rationale for the Purchase Consideration and Issue Price

Purchase Consideration

The Purchase Consideration was agreed on after arm's length negotiations between the Company and the Vendor, based on a willing-buyer willing-seller basis, after taking into account, *inter alia*, the historical performance for FY2020 and FY2021 and business prospects of the Target Group and prevailing market conditions.

Issue Price

The Issue Price, which was derived following negotiations between the Company and the Vendor, took into consideration, *inter alia*, (a) the minimum issue price requirement pursuant to Rule 1015(3)(c) of the Catalist Rules, where in relation to a reverse takeover, the issue price of each share after adjusting for any share consolidation must not be lower than S$0.20. The Issue Price of S$0.236 is equivalent to S$0.0295 per Share on a pre-consolidation basis ("**Pre-consolidation Issue Price**").

4.3 Consideration Shares

The Purchase Consideration shall be fully satisfied by the issuance and allotment to Serial System (being the nominee of the Vendor) of 114,406,780 new Consolidated Shares (collectively, the "**Consideration Shares**", and each share a "**Consideration Share**"), at the Issue Price of S$0.236 per Consideration Share as determined below.

The number of Consideration Shares shall be computed at the Completion Date based on the following formula:

$$\text{Number of Consideration Shares} = \frac{\text{Purchase Consideration}}{\text{Issue Price}},$$

where the Issue Price shall be determined based on the following formula:

$$\text{Issue Price} = \frac{\text{Purchaser Ascribed Value}}{\text{Total Number of Shares}},$$

where:

(a) the "Purchaser Ascribed Value" means S$5,500,000; and

(b) the "Total Number of Shares" means the total number of Shares in issue immediately preceding the Completion Date, subject to adjustment in the event of a share consolidation.

The Purchaser Ascribed Value was arrived at after arm's length negotiations between the Company and the Vendor.

The Consideration Shares shall be credited as fully paid and free from all encumbrances and ranking *pari passu* in all respects with the Shares existing as at the Completion Date, including the right to receive in full all dividends and other distributions declared, paid or made as from the Completion Date.

In addition, a fee of S$500,000 will be payable by the Company to Kho Wee Hong George (the "**Introducer**") on Completion, and such payment shall be satisfied by an allotment and issuance of the new Shares at the Issue Price (the "**Introducer Shares**"). Information on the Introducer is set out in Section 4 of the Circular.

4.4 Independent Valuation

Pursuant to Rule 1015(3)(a) of the Catalist Rules, the Company has commissioned the Independent Business Valuer to undertake an independent business valuation to determine the market value of the Sale Shares as at 30 June 2023.

4.5 Conditions Precedent

Completion of the Proposed Acquisition shall be conditional upon, amongst others, the following conditions being satisfied or waived on or before Completion (the "**Conditions Precedent**" or each, a "**Condition Precedent**"):

(a) procurement by the Company of the extension of the deadline beyond 30 September 2022 as imposed by the SGX-ST on the Company for the signing of a sale and purchase agreement and submission of a reverse takeover application, failing which the SPA shall automatically lapse;

(b) the procurement and delivery by the Company of an irrevocable undertaking to the Vendor by 30 September 2022 (in such form and substance reasonably satisfactory to the Vendor) signed and delivered by the Joint Receivers, being the joint and several receivers appointed by DBS of the 148,335,700 Shares held by Dorr Global Healthcare International Pte Ltd that is the subject of a share charge dated 2 June 2020 between Dorr and DBS (the "**Charged Shares**"). The Joint Receivers' irrevocable undertakings shall state that the Joint Receivers will vote in favour of all the resolutions at the EGM and not to sell or otherwise dispose of the Charged Shares until the conclusion of the EGM;

(c) appointment of a Catalist Sponsor (which means RHT Capital Pte. Ltd. or such other firm as agreed upon by the Company and the Vendor to be appointed as the Catalist Sponsor prior to Completion) as approved by the Vendor;

(d) the Company being reasonably satisfied with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the Company and/or its advisers on the Target Group, including without limitation, the title to and the status and condition of any properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations (including management meetings and site visits), records, financial position, accounts, results, tax, legal and corporate structure, and any other information disclosed to the Company;

(e) the Vendor being reasonably satisfied with the results of the due diligence (whether legal, financial, contractual, tax or otherwise) to be carried out by the Vendor and/or its advisers on the Company and subsidiaries of the Company which are dormant as at the date of the SPA, to the extent a Company subsidiary remains a subsidiary of the Company, including without limitation, the title to and the status and condition of any properties (whether movable or immovable), assets (whether tangible or intangible), liabilities, businesses, operations (including management meetings and site visits), records, financial position, accounts, results, tax, legal and corporate structure, and any other information disclosed to the Vendor, including the satisfactory settlement of the independent review on the Company which had been carried out of the nature and circumstances relating to the unpaid placement shares and the Company's announcement dated 18 August 2020 and the cancellation of shares by the Company;

(f) the Enlarged Group shall have (i) positive net asset value or (ii) negative net asset value of no more than S$250,000 on Completion;

(g) (if applicable) the rectification by the Vendor, or the procurement by the Vendor of such rectification to the reasonable satisfaction of the Company of all material issues or irregularities uncovered in the due diligence exercise of the Company which has an adverse impact of more than 10.0% to the aggregate net asset value, aggregate revenue or total net profit of the Target Group based on the audited financial statements for the financial year ended 31 December 2021;

(h) the Company having obtained at its own cost and expense the Independent Valuation and the valuation as ascribed by the Independent Valuation not being less than the Purchase Consideration;

(i) the SIC having granted the Vendor and its concert parties (and not having revoked or repealed such grant) a waiver of their obligation to make a mandatory offer under Rule 14 of the Code for the Shares not owned or controlled by the Vendor and its concert parties and from having to comply with the requirements of Rule 14 of the Code, subject to (i) any conditions or restrictions that the SIC may impose, Provided That such conditions or restrictions are reasonably acceptable to the Vendor and its concert parties; and (ii) the Independent Shareholders approving at a general meeting of the Company the proposed ordinary resolution of the Company which if passed by the Independent Shareholders would result in a waiver by the Independent Shareholders of their right to receive a mandatory general offer from the Vendor and parties acting in concert with the Vendor in connection with the issue of the Consideration Shares under the Proposed Acquisition (the "**Whitewash Resolution**");

(j) the approval of SGX-ST and/or any other relevant authorities being obtained by the Company and Serial System, if necessary, for the Proposed Acquisition upon the terms of the SPA and where such approval is obtained subject to any conditions or restrictions, such conditions or restrictions being reasonably acceptable to the parties to the SPA and if required by the SGX-ST and/or any other relevant authorities, such conditions being fulfilled or satisfied on or before Completion, and such approval remaining in full force and effect;

(k) approval-in-principle being obtained from the SGX-ST for the Circular to be dispatched to the shareholders of the Company in connection with the EGM to be convened to approve, *inter alia*, the Proposed Acquisition, the issue and allotment of the Consideration Shares and the Whitewash Resolution and the compliance by the Company of all the conditions or restrictions which may be imposed by the SGX-ST in connection thereto;

(l) approval-in-principle being received from the SGX-ST for the dealing in and quotation for the Consideration Shares and the Introducer Shares (and, if necessary, for the Shares to be allotted and issued in connection with the Proposed Compliance Placement) on the Catalist Board, such approval not being revoked, rescinded or cancelled prior to Completion and, where such listing and quotation notice is obtained subject to any conditions or restrictions, such conditions or restrictions being reasonably acceptable to the parties to the SPA;

(m) the Company receiving the following approvals from its shareholders at an EGM to be convened, for:

  (i) the Proposed Acquisition;

  (ii) the allotment and issue of the Consideration Shares to the Vendor (or to such nominee as the Vendor may direct) and the Introducer Shares;

  (iii) the Whitewash Resolution;

  (iv) the Proposed Share Consolidation;

  (v) the change of name of the Company to a name which does not include the words "Axington Inc." or any derivative thereof;

  (vi) proposed appointment of new directors who are nominated by the Vendor;

  (vii) all such other approvals required from the Company's shareholders pursuant to applicable laws and regulations; and

(viii) in connection with the SPA and the transactions contemplated therein as may be necessary or agreed between the parties in writing;

(n) the Target Company and Serial System obtaining such approval(s) from their board of directors and their shareholders, if necessary, in connection with the SPA and the transactions contemplated herein as may be necessary, including for the acquisition of the Sale Shares by the Company;

(o) the Vendor and Company not having received notice of any injunction or other order, directive or notice restraining or prohibiting the consummation of the transactions contemplated by the SPA, and there being no action seeking to restrain or prohibit the consummation thereof, or seeking damages in connection therewith, which is pending or any such injunction, other order or action which is threatened and no governmental authority or court of competent jurisdiction having enacted, issued, promulgated, enforced or entered any law, rule, regulation, judgment, decree, executive order or award having the effect of making the Proposed Acquisition illegal or otherwise prohibiting consummation thereof on or prior to the Completion;

(p) there is no material breach by any Party of the representations, warranties, covenants and indemnities contained in the SPA;

(q) there has been no material adverse change, or events, acts or omissions likely to lead to such a material adverse change, in the business, assets, prospects, financial position or results of operations of the Target Group and the Enlarged Group;

(r) if required pursuant to applicable laws, regulations or Catalist Rules, the completion of a financial audit on the Target Company conducted by a public accounting firm reasonably accepted to the Company;

(s) the Shares remaining listed on the Catalist Board and the Company obtaining the in-principle approval of the SGX-ST for the resumption of trading of the existing Shares of the Company on the Catalist Board prior to or upon Completion;

(t) the due incorporation of the Target Thai Company and the Target Thai Company having taken over the business carried out in Thailand to the reasonable satisfaction of the Company;

(u) the receipt by the Company of service agreements duly executed by the key management team of the Target Company who are currently or will be employed or engaged by the Target Company with the Company, providing for a minimum employment duration following the Completion of the Proposed Acquisition covering at least three (3) financial years. The key management team shall include Kenny Sim (to be appointed as the executive director of the Company pursuant to the EGM), Mr Jason Soh and Ms Ellen Yap;

(v) each of the warranties and undertakings given remaining true in all material respects and not misleading in any material respect at Completion, as if repeated at Completion;

(w) where the terms of any material contract to which any Target Group Company is subject contain any restriction or prohibition on the change in the shareholding and/or the boards of directors of any Target Group Company or include any right to terminate exercisable prior to or as a result of any matter contemplated by the SPA, written approval or consent or written confirmation of the waiver from third parties of such restrictions or prohibition in relation to any such change arising from the transactions under the SPA or of any such right to terminate having been obtained or fulfilled;

(x) all other necessary consents and approvals for the SPA and the transactions contemplated therein, if required and applicable, being granted and not withdrawn or revoked by third parties (including without limitation, the Sponsor, any government body, stock exchange and other relevant authority in any jurisdiction) and if such consents are obtained subject to any condition(s) and where such condition(s) affect any of the Parties, such condition(s) being acceptable to the Party concerned and, if such condition(s) are required to be fulfilled before Completion, such condition(s) being fulfilled before Completion;

(y) the Company having (i) completed the disposal of the whole of its shares or legal or beneficial interest in each of its subsidiaries; or (ii) commenced such steps as may be reasonably satisfactory to the Vendor to effect a winding-up (including a member's voluntary winding-up) or a striking off, of each of its subsidiaries; and

(z) the Target Company having completed its disposal of the whole of its shares or legal or beneficial interest in its wholly-owned subsidiary, Straitsmart Sdn. Bhd., on terms reasonably satisfactory to the Company.

4.5 Long-Stop Date

If any of the Conditions Precedent is not fulfilled or waived by the relevant party to the SPA by31 March 2024 (the "**Long-Stop Date**") (or such other date and time as the parties to the SPA may agree in writing), the SPA shall, *ipso facto*, cease and determine and (save as provided in the SPA, or for any antecedent breach of the SPA) none of the parties to the SPA shall have any claim against any other party to the SPA for costs, damages, compensation or anything whatsoever.

As at the date of the Circular, the following Conditions Precedent in Section 2.5.6 of the Circular remain outstanding: (f), (j), (m), (n), (o), (r), (s), (v) and (y).

The Company will make immediate announcement(s) on SGXNET of (a) any Conditions Precedent waived pursuant to the SPA (including the basis for such waiver); (b) the fulfilment of the Conditions Precedent under the SPA; and (c) the termination of the SPA.

4.6 Completion

Completion shall take place on the date falling seven (7) business days after the date of the fulfilment of all the Conditions Precedent provided in the SPA unless they are waived by the relevant party to the SPA in accordance with the provisions set out in the SPA (the "**Completion Date**").

5. EVALUATION OF THE PROPOSED WHITEWASH RESOLUTION

In our evaluation of the Proposed Whitewash Resolution, we have given due consideration to, *inter alia*, the following analysis which we consider to have a significant bearing on our assessment:

(i) Rationale for and benefits of the Proposed Acquisition;

(ii) Historical financial performance of the Target Group and the Thai IT Consumer Business, and historical financial position of the Target Company;

(iii) Assessment on the Purchase Consideration;

(iv) Assessment on the Issue Price for the Consideration Shares; and

(v) Other relevant considerations.

5.1 Rationale for and benefits of the Proposed Acquisition

We have considered the rationale by the Company for the Proposed Acquisition which can be found in Section 2.2 of the Circular and have been extracted and set out in italics below:

"The Company no longer has any revenue generating business and had notified SGX-ST on 1 April 2021 of its cash company status pursuant to Rule 1017 of the Catalist Rules. Pursuant to Rule 1017(2) of the Catalist Rules, the SGX-ST will proceed to remove the Company from the Official List if it is unable to meet the requirements for a new listing within twelve (12) months from the time it becomes a cash company.

On 31 March 2022, the Company announced that SGX RegCo had no objection to the Company's application for an extension of time. Pursuant to such application, the Company must sign a definitive sale and purchase agreement and submit a reverse takeover application to SGX RegCo by 30 September 2022.

On 2 December 2022 the Company announced that SGX RegCo had no objection to the Company's application for a further extension of time up to 30 September 2023 to complete the RTO and hence meet the requirements of Catalist Rules 1017(2) and 1304. The SGX RegCo will not grant any further extension if the Company's application for the RTO is not submitted to the SGX RegCo's IPO Admissions Unit by 31 May 2023.

The Proposed Acquisition comes as an opportunity for the Company to acquire a new business, thus meeting the requirements under Rule 1017 of the Catalist Rules and thereby enhancing value for Shareholders.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the Company will have a 49.0% shareholding interest in the Target Thai Company, and the business of the Company will be that of the Target Group.

The Proposed Acquisition will position the Company to meet the requirements under Rule 1017 of the Catalist Rules and enable Shareholders to participate in business areas that have potential for significant growth. The Board also believes that the Proposed Acquisition will have the potential to increase the market capitalisation and widen the investor base of the Company, thereby enabling the Company to attract more extensive analyst coverage and increase investors' interest in the Company's securities."

5.2 Historical financial performance of the Target Company and the Thai IT Consumer Business, and historical financial position of the Target Company

Please refer to Section 23 of the Target Group's Letter to Shareholders entitled "Management's Discussion and Analysis of Results of Operations and Financial Position of the Target Company" for the management's discussion and analysis of the operating results and financial position of the Target Company and the operating results of the Thai IT Consumer Business.

In respect of the historical financial performance of the Target Company and the Thai IT Consumer Business, and the financial position of the Target Company, we note, *inter alia*, the following:

(a) Revenue of the Target Group is derived mainly from the sale of consumer and enterprise IT products and peripherals in Malaysia, including desktop CPUs, motherboard and VGA cards and laptop computers manufactured by established brands. Revenue increased by US$16.7 million or 45% from US$37.5 million in FY2020 to US$54.2 million in FY2021, mainly due to higher sales of computer peripherals in Malaysia as a result from work-from-home measures implemented by the government to contain COVID-19. The combined revenue

of the Target Company and the Thai IT Consumer Business in FY2022 of US$44.7 million is lower by US$9.5 million or 18% when compared with FY2021, mainly due to a weaker market as work-from-home measures progressively eased in Malaysia in FY2022 and the lack of new product launches by CPU manufacturers, and partially offset by the revenue contributions from the Thai IT Consumer Business which commenced operations since April 2022;

(b) Combined revenue of the Target Group in 6M2023 was US$34.4 million;

(c) Gross profit margin of the Target Company for FY2020, FY2021, FY2022 and 6M2023 was 4.6%, 6.1%, 3.5% and 3.6% respectively, which was affected by factors such as product mix, market competition and movements in foreign exchange rates. The Thai IT Consumer Business recorded a gross margin of 4% in FY2022 and 4.9% in 6M2023 respectively;

(d) The Target Group's profit before income tax increased by US$1.10 million or 147% from US$0.74 million in FY2020 to US$1.84 million in FY2021 as a result of higher sales and higher gross profit margin in FY2021 when compared to FY2020. Overall, the Target Group recorded a loss before income tax of US$1.25 million in FY2022, mainly due to (i) lower sales and lower gross profit margin as a result of weak market demand amid oversupply in the market and keen competition, (ii) allowance for inventory obsolescence of US$0.20 million versus writeback of allowance for inventory obsolescence of US$0.17 million in FY2021, (iii) unrealised fair value loss on foreign exchange contract of about US$0.21 million, (iv) lower manufacturers' incentive income of about US$0.29 million and (v) higher finance costs of about US$0.13 million. The increase was partially offset by lower staff related costs of about US$0.21 million. The Thai IT Consumer Business recorded a loss before income tax of US$0.40 million in FY2022 primary due to its start-up phase as its gross profit earned from sales was insufficient to cover its operating costs;

(e) The Target Group recorded a loss before income tax of US$1.22 million in 6M2023 (as compared to a loss before tax of US$0.66 million in 6M2022), mainly due to lower gross profit margin as a result of keen market competition, and higher operating expenses;

(f) The total assets of the Target Company, as at 30 June 2023, of approximately US$13.75 million comprise current assets of US$13.57 million and non-current assets of US$0.18 million;

(g) The current assets of the Target Company, as at 30 June 2023, comprise mainly trade and other receivables of US$7.97 million, inventories of US$4.67 million and cash and cash equivalents of US$0.92 million. The non-current assets of the Target Group, as at 30 June 2023, comprise property, plant & equipment of US$0.07 million and investment property of US$0.11 million;

(h) The total liabilities of the Target Company, as at 30 June 2023, of approximately US$12.79 million comprise entirely of current liabilities;

(i) The current liabilities of the Target Company, as at 30 June 2023, comprise amounts due to ultimate holding, immediate holding, and related companies of US$5.03 million, borrowings of US$6.68 million and trade and other payables of US$1.08 million;

(j) As at 30 June 2023, the Target Company has positive net working capital with its current assets exceeding its current liabilities by approximately US$0.78 million;

(k) The Target Company generated a positive cashflow from operating activities of about US$1.73 million in FY2020, a negative cashflow from operating activities of about US$1.27 million in FY2021 (mainly as a result of net cash used in working capital of US$3.44 million) and negative cashflow from operating activities of about US$0.78 million for FY2022 (as it incurred net loss before tax in FY2022). For 6M2023, the Target Company generated a negative cashflow from operating activities of about US$2.57 million (mainly as a result of net cash used in working capital of US$2.62 million); and

(l) The net asset value ("**NAV**") of the Target Company, as at 30 June 2023, was approximately US$0.96 million, representing a decrease of 33.9% from its NAV as at 31 December 2022 of US$1.44 million.

Based of the above, we further note the following:

(a) As the Target Group incurred net loss for the latest financial year ended 31 December 2022, earning-based valuation multiples such as price-earnings (P/E) ratio will not be meaningful. In addition, it is noted that the Independent Business Valuer had considered the market approach comparison in its Independent Valuation for reference and sanity check purposes by assessing the valuation statistics of listed companies that are broadly comparable to the Target Company ("**CompCos**") and it was observed, *inter alia*, that: (i) the EV/Revenue, as implied by the Independent Valuation of the Target Company, is within the range for the CompCos and close to the mean ratio of the CompCos in Malaysia; (ii) the EV/EBITDA, as implied by the Independent Valuation of the Target Company, is within the range for the CompCos albeit higher than the mean ratio of the CompCos; and (iii) the EV/Revenue, as implied by the Independent Valuation of the Target Thai Company and an annualized 2022 revenue, is within the range for the CompCos albeit higher than the mean ratio of the CompCos but below the mean ratio of the CompCos in Thailand; and

(b) The P/NAV ratio as implied by the Purchase Consideration is approximately 20.9 times, based on the NAV of the Target Company and exchange rate of USD1.00:SGD1.3554 as at 30 June 2023.

5.3 Assessment on the Purchase Consideration

5.3.1 Comparison with the fair market value of the Target Group

In connection with the Proposed Acquisition, the Independent Business Valuer was commissioned by the Company to assess and determine the market value of the Sale Shares as at 30 June 2023 comprising:

(a) 100% equity interest in Target Company; and

(b) 49% equity interest in Target Thai Company.

As set out in the Independent Valuation, the Independent Business Valuer has conducted its valuation on the basis of "Market Value" which is defined as:

"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

The Independent Business Valuer has considered and adopted two conventional valuation approaches, namely, Income Approach – Discounted Cash Flow ("**DCF**") Analysis and Market Approach – Comparable Companies Analysis.

The Independent Business Valuer has adopted the Income Approach – DCF Analysis as its primary valuation methodology, which enables the Independent Business Valuer to view the Target Group's entire portfolio of assets with the principal focus of the analysis on the Target Group's ability to generate free cash flow in the future. The free cash flow to enterprise or firm ("**FCFF**") is defined as cash that is available either to invest in new or existing businesses or to distribute to investors (equity holders and debt holders). The projected FCFF is derived from a variety of assumptions and judgments about its expected financial performance, including sales growth rates, profit margins, capital expenditures, and net working capital requirements, which will be discounted to the present value at the Target Group's weighted average cost of capital ("**WACC**"). The present value of the FCFF and terminal value are summed to determine an enterprise value, which serves as the basis for the DCF valuation. In this regard, the Independent Business Valuer has been provided with 4.5 years projections of the Target Group from 1 July 2023 to 31 December 2027, which form the basis of its discounted cash flow analysis.

As set out in the Independent Valuation, we note that in arriving at the market value of the Target Company based on DCF, the Independent Business Valuer has ascribed a risk-free rate of 3.85% in its WACC computation based on the Malaysia 10-year government bond yield as at 30 June 2023. In this regard, we note that the current Malaysia 10-year government bond yield as at the Latest Practicable Date is only slightly lower at 3.75%. The Independent Business Valuer has performed a sensitivity analysis using WACC discount rate ranging from 11.0% to 13.0% (with a base case WACC of 12.0%) and terminal growth rate ranging from 3.0% to 5.0% (with a base case growth rate of 4.0%) in its discounted cash flow analysis and has accordingly derived an implied equity value range of S$16.5 million to S$24.5 million for 100% equity interest in the Target Company.

The Independent Business Valuer has also applied the DCF analysis in valuing the 49% equity interest in Target Thai Company. We note that in arriving at the market value of the Target Thai Company based on DCF, the Independent Business Valuer has ascribed a risk-free rate of 2.58% in its WACC computation based on the Thailand Sovereign Debt as at 30 June 2023. In this regard, we note that the current Thailand Sovereign Debt yield as at the Latest Practicable Date is higher at 2.81%. The Independent Business Valuer has performed a sensitivity analysis using WACC discount rate ranging from 11.5% to 13.5% (with a base case WACC of 12.5%) and terminal growth rate ranging from 3.0% to 5.0% (with a base case growth rate of 4.0%) in its discounted cash flow analysis and has accordingly derived an implied equity value range of S$6.1 million to S$7.9 million for the 49% equity interest in Target Thai Company.

We further note that the Independent Business Valuer has adopted the Market Approach – Comparable Companies Analysis as its secondary valuation methodology as a reference sanity check to ensure the reasonableness of the derived valuation results from the DCF analysis. The indication of value under the Market Approach involves determining the value of the Target Group's businesses by referencing to available market information, such as trading multiples of comparable publicly listed companies. Based on the aforementioned, the Independent Business Valuer concluded that the various trading multiples comprising EV/Revenue and/or EV/EBITDA of the Target Group when compared to the results derived from the DCF analysis are reasonable.

As set out in the Independent Valuation, the Independent Business Valuer arrived at an implied market valuation attributable to the Sale Shares of S$27.2 million. The Purchase Consideration of S$27.0 million is therefore supported by the Independent Valuation and approximately 0.7% lower than the Independent Valuation.

It should be noted that the independent valuation of the Target Group is based on various assumptions and limitations as set out in the Independent Valuation, and Shareholders are advised to read the above in conjunction with the Business Valuation Report in its entirety as set out in Appendix F to the Circular.

5.4 Assessment on the Issue Price for the Consideration Shares

In assessing the reasonableness of the Issue Price, we have considered the following:

(a) Historical trading performance of the Shares;

(b) NAV of the Group and the Company on a per Share basis;

(c) Precedent Reverse Takeover Transactions in Singapore; and

(d) Other relevant considerations.

5.4.1 Historical trading performance of the Shares

The shares of the Company have been suspended since 31 August 2020 and the Company is currently designated as a "cash company" with no business operations. Accordingly, we are of the view that it will not be meaningful to perform an assessment to compare the Issue Price against the historical traded prices of the Shares prior to its suspension in view of the Company becoming a cash company and given the prolonged trading suspension of more than three (3) years since 31 August 2020.

5.4.2 NAV of the Group and the Company on a per Share basis

Based on the Group's latest unaudited consolidated statement of financial position as at 30 June 2023, the assets and liabilities of the Group and the Company were as follows:

S$'000	**Group 30 June 2023 (Unaudited)**	**Company 30 June 2023 (Unaudited)**
Assets		
Escrow account	620	620
Cash and cash equivalent	515	515
Prepayment	–(1)	–(1)
	1,135	**1,135**
Liabilities		
Other payables and accruals	539	536
Non-controlling interests	(9)	–
Net Assets attributable to owners of the Company	**605**	**599**

Note:

(1) Less than S$1,000.

Based on the net assets set out above and the Company's total issued share capital of 186,710,300 Shares, the NAV of the Group and the Company on a per Share basis is approximately S$0.0032 per Share and approximately S$0.0032 per Share respectively as at 30 June 2023. The Pre-Consolidation Issue Price of S$0.0295 represents a premium of approximately S$0.0263 or approximately 810% to the NAV of the Group on a per Share basis as at 30 June 2023, representing a P/NAV ratio of 9.1 times. As the Company no longer has any revenue generating business, the NAV of the Group and the Company is expected to continue to deplete for as long as it remains a cash company.

Based on the Company's latest announcement as at the Latest Practicable Date on its monthly valuation of assets, the Company's assets and liabilities as at 31 October 2023 were as follows:

S$'000	**Unaudited 31 October 2023**
Assets	
Escrow account	620
Cash and cash equivalent	293
	913
Liabilities	
Other payables and accruals	518
Net Assets	**395**

Based on the net assets set out above and the total issued share capital of 186,710,300 Shares, the NAV of the Company on a per Share basis is approximately S$0.0021 per Share as at 31 October 2023. The Pre-Consolidation Issue Price of S$0.0295 represents a premium of approximately S$0.0274 or approximately 1,294% to the NAV per Share as at 31 October 2023, representing a P/NAV ratio of 13.9 times. As the Company no longer has any revenue generating business, the Company's NAV is expected to continue to deplete for as long as it remains a cash company.

5.4.3 Precedent Reverse Takeover Transactions in Singapore

In assessing the reasonableness of the Issue Price, we have also compared the premiums implied by the Issue Price with those of selected recently completed reverse takeover transactions for companies listed on the SGX-ST (excluding real estate investment trusts and business trusts). For our analysis, we have compared the financial terms of the Offer against recently completed reverse takeover transactions (collectively the "**Precedent Reverse Takeover Transactions**") as announced since January 2016 and completed as at the Latest Practicable Date.

In making the comparison herein, we wish to highlight that the companies in the Precedent Reverse Takeover Transactions are not exhaustive and there is no listed company or group which may be considered identical to the Group in terms of, *inter alia*, composition of business, business activities, size and scale of operations, risk profile, geographical spread of business, operating and financial leverage, accounting policies, track record, financial performance and future prospects, liquidity and market capitalisation. We wish to also highlight that the premium or discount that an offeror pays in any particular Precedent Reverse Takeover Transactions varies in different specific circumstances depending on, *inter alia*, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, existence of intangibles and branding or "internal goodwill or intangible assets", the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence of competing bids for the target company and the existing and desired level of control in the target company. Accordingly, the applicability of the analysis may be limited and is for illustrative purpose only.

Date of Announcement	Selected RTO Companies	Target Companies	Issue Price (S$)	Premium / (Discount) of Issue Price over last price traded on market day prior to announcement date (%)	Premium / (Discount) of Issue Price to NAV / NTA (times)
20-Jan-16	SHC Capital Asia Limited	Memories Group Limited	0.133	6.1	2.2(1)
12-Apr-16	Changjiang Fertilizer Holdings Limited	WBH Investments Pte. Ltd. and Chiu teng 8 Pte. Ltd.	0.005	(72.2)	n.m.(2)
20-May-16	LH Group Limited	Pacific Star Development Pte. Ltd.	0.800	40.4	0.6(3)
6-Jun-16	VGO Corporation Limited	Sky Win Management Consultancy Pte. Ltd.	0.325	153.9	13.1(4)
9-Jun-16	Terratech Group Limited	Altimate Ventures Limited, Rise Expedition Global Limited and, First Star Ventures	0.007	37.3	6.1(5)
27-Oct-16	China Bearing (Singapore) Ltd.	FE Resources Pte. Ltd.	0.073	202.1	1.8(6)
29-Sep-17	Lereno Bio-Chem Ltd.	Knit Textile and Apparel Pte. Ltd.	0.010	(77.8)	n.m.(7)
31-Aug-18	TSH Corporation Limited	SLOSHED! Pte. Ltd.	0.030	57.9	1.5(8)
5-Nov-18	Jason Holdings Limited	Revez Group Pte. Ltd.	0.004	(94.1)	n.m.(9)
17-Sep-19(10)	Artivision Technologies Ltd.	Mobile Credit Payment Pte. Ltd.	0.011	110.0	n.m.(11)
29-Jul-20	Citicode Ltd.	Livingstone Health Ltd.	0.0004	(60.0)	n.m.(12)
29-Sep-20	CPH Ltd.	Shanaya Environmental Services Pte. Ltd.	0.006	50.0	3.1(13)
22-Apr-21	Fabchem China Limited	Lincotrade & Associates Pte. Ltd.	0.22	41.5	4.2(14)
12-Jun-23	3Cnergy Limited	DTP Infinities Limited	0.33	65.0	n.m.(15)
			High	202.1	13.1
			Low	(94.1)	0.6
			Mean	32.9	4.1
			Median	41.0	2.7
2-Sep-22	**Company**	**Target Company**	**0.0295** (16)(17)	**(84.5)**(18)	**3.4**(16) **/ 9.1**(17)

Source: Announcements and circulars of the respective selected Precedent Reverse Takeover Transactions

Notes:

(1) Based on its unaudited NTA per Share as at 31 October 2017.

(2) Not meaningful as the company had net tangible liabilities position as at 30 September 2017.

(3) Based on the unaudited NTA per Share of the group as at 30 September 2016.

(4) Based on the en-cashed NTA per Share of S$0.0249.

(5) Based on the pre-consolidated issue price and the group's unaudited NTA as at 31 December 2016.

(6) Based on the pre-consolidated issue price and the group's unaudited NTA as at 30 April 2018.

(7) Not meaningful as the company had net tangible liabilities position as at 30 November 2018.

(8) Based on the pre-consolidated issue price and the group's unaudited NTA as at 30 November 2018.

(9) Not meaningful as the company had net tangible liabilities position as at 31 December 2018.

(10) Based on the announcement date in relation to the execution of the amended conditional sale and purchase agreement.

(11) Not meaningful as the company had net tangible liabilities position as at 31 March 2020.

(12) Not meaningful as the company had net tangible liabilities position as at 31 December 2019.

(13) Based on the adjusted NAV and/or NTA of the group as at 31 May 2021.

(14) Based on the proforma NAV of the group as at 28 February 2022.

(15) Not meaningful as the company had negative NAV after taking into account the disposal of existing business.

(16) Based on the Pre-consolidation Issue Price of S$0.0295 and the NAV of the Group on a per Share basis as at 31 December 2022.

(17) Based on the Pre-consolidation Issue Price of S$0.0295 and the NAV of the Group on a per Share basis as at 30 June 2023.

(18) Based on the Pre-consolidation Issue Price of S$0.0295 over last price traded on market day prior to the Announcement Date of S$0.190.

Based on the above, we note the following:

(a) the discount of the Issue Price over last price traded on market day prior to the Announcement Date of 84.5% is within the range of issue price of the respective companies over last price traded on market day prior to the announcement date in the Precedent Reverse Takeover Transactions of (94.1)% and 202.1%, albeit near to the lower end. In this regard, it should be noted however that the Shares have been suspended since 31 August 2020 and therefore such comparison may not be meaningful;

(b) the Pre-consolidation Issue Price is approximately 3.4 times of the Group's NAV per Share as at 31 December 2022 and this is within the range of the P/NAV ratio of the selected companies in the Precedent Reverse Takeover Transactions and is above the median but below the mean of the companies in the Precedent Reverse Takeover Transactions of 2.7 times and 4.1 times, respectively; and

(c) the Pre-consolidation Issue Price is approximately 9.1 times of the Group's NAV per Share as at 30 June 2023 and this is within the range of the P/NAV ratio of the selected companies in the Precedent Reverse Takeover Transactions and is above both the median and mean of the companies in the Precedent Reverse Takeover Transactions of 2.7 times and 4.1 times, respectively.

5.5 Other relevant considerations

5.5.1 Dilution Impact and Implications of the Whitewash Resolution

Immediately after Completion, the Proposed Issuance of the Consideration Shares, the Proposed Issuance of the Introducer Shares, the Proposed Compliance Placement and the issuance of the Interco Shares, the existing Shareholders will face immediate and substantial dilution, and will on a collective basis, own approximately 13.0% of the Enlarged Share Capital, while Serial System will hold approximately 73.3% of the Enlarged Share Capital.

Independent Shareholders should also note that:

(a) their approval of the Proposed Whitewash Resolution is a condition precedent to Completion pursuant to the terms of the SPA, and if Independent Shareholders do not vote in favour of the Proposed Whitewash Resolution, the Proposed Acquisition will not take place;

(b) the completion of the Proposed Share Consolidation, the Proposed Share Issuance Transactions and the completion of the Proposed Compliance Placement will result in Serial System holding Shares carrying over 73.3% of the voting rights of the Company, and Serial System and its concert parties will be free to acquire further Shares without incurring any obligation under Rule 14 of the Code to make a general offer; and

(c) by voting in favour of the Proposed Whitewash Resolution, they will be waiving their rights to receive a general offer for all of their Shares from Serial System at the highest price paid by Serial System and its concert parties for the Shares in the past six (6) months preceding the commencement of the offer.

5.5.2 Cash Company Status

The Company had notified SGX-ST on 1 April 2021 of its cash company status pursuant to Rule 1017 of the Catalist Rules. Under Rule 1017(2) of the Listing Manual, the SGX-ST will proceed to remove the Company from the Official List if it is unable to meet the requirements for a new listing within twelve (12) months from the date it becomes a cash company.

The Company had applied to the SGX-ST and was granted the following extensions:

(a) On 31 March 2022, the Company announced that SGX RegCo had no objection to the Company's application for an extension of time, provided that the Company must sign a definitive sale and purchase agreement and submit a reverse takeover application to Singapore Exchange Regulation Pte. Ltd. by 30 September 2022; and

(b) On 2 December 2022 the Company announced that SGX RegCo had no objection to the Company's application for a further extension of time up to 30 September 2023 to complete the RTO and that SGX RegCo will not grant any further extension if the Company's application for the RTO is not submitted to the SGX RegCo's IPO Admissions Unit by 31 May 2023.

Accordingly, if the aforesaid timelines are not met and no further extension of time is granted, the Company will be required to delist and a cash exit offer in accordance with Rule 1308 should be made to Shareholders within six (6) months.

5.5.3 Voting Undertakings

As set out under Section 24 of the Circular, it is noted that the Joint Receivers appointed over the Charged Shares have irrevocably agreed to (a) not sell, transfer or otherwise dispose of or encumber any or all of the Charged Shares until the conclusion of the EGM; and (b) vote in favour of the resolutions to be tabled at an EGM to be convened to approve, *inter alia*, the Proposed Acquisition. The Charged Shares represent 79.5% of the issued Shares as at the Latest Practicable Date.

5.5.4 Financial effects of the Proposed Acquisition

Details on the financial effects of the Proposed Acquisition on the Company are set out in Section 16 of the Circular. The financial effects are computed based on the audited consolidated financial statements of the Company and its subsidiaries ("**Group**") for FY2022 and the audited consolidated financial statements of the Target Company for FY2022 and certain assumptions as set out therein. Shareholders should note that the *pro forma* financial effects are for illustrative purposes only and do not purport to be an indication of the actual results of the operations or the related effects in the financial position that would have been attained had the Proposed Acquisition been completed at such an earlier date.

In summary, we note that the Proposed Acquisition would result in the following financial effects on the Enlarged Group:-

(i) Share Capital

The issued and paid-up share capital of the Company after the Proposed Acquisition will increase from approximately S$2.4 million to approximately S$29.9 million as a result of the issuance of the Consideration Shares and Introducer Shares to Serial System and the Introducer respectively in connection with the Proposed Acquisition. The issued and paid-up share capital of the Company will increase further to approximately S$34.0 million as a result of the issuance of the Interco Shares to Serial System for the settlement of the Interco Loan and the Interco Balances.

(ii) NAV/NTA per Share of the Enlarged Group

The NAV/NTA per Share after the Proposed Acquisition will decrease from approximately 0.86 Singapore cents to approximately 0.32 Singapore cents on a *pro forma* basis as the Proposed Acquisition involves the acquisition of the Target Group at a premium to its NAV/NTA. The *pro forma* NAV/NTA per Share will increase to approximately 0.61 Singapore cents as a result of the issuance of the Interco Shares to Serial System.

(iii) Loss per Share of the Enlarged Group

The loss per Share ("**LPS**") after the Proposed Acquisition will decrease from approximately 0.46 Singapore cents to approximately 0.18 Singapore cents on a *pro forma* basis mainly as a result of the enlarged share base arising from the issuance of the Consideration Shares and Introducer Shares, and as the Target Company recorded a net loss in FY2022. The *pro forma* LPS will decrease further to approximately 0.16 Singapore cents as a result of the issuance of the Interco Shares to Serial System.

5.5.5 Serial System Deed of Undertaking

It is noted that Serial System has unconditionally and irrevocably undertaken to the Company that:

(i) in the event the Target Thai Company requires working capital for its day-to-day operations, it shall further extend working capital loans to the Target Thai Company of up to a maximum of USD4 million on a cost recovery basis, repayable at the discretion of the Target Thai Company;

(ii) it shall continue to provide, and shall procure that its subsidiaries continue to provide, corporate guarantees and other supporting security, including standby letters of credit and trust receipts, in favour of the Target Group at no cost for a period of 2 years following Completion (and such rate to be subject to review by the New Audit and Risk Committee every 2 years thereafter). For the avoidance of doubt, there is no limit to such financial support;

(iii) in relation to the Interco Loan, being a loan of USD1 million (equivalent to SGD1.37 million, based on the mutually agreed Q12023 average exchange rate of USD1:SGD1.3696) which was extended by SMPL to the Target Company and the Interco Balances, being an amount of USD2 million (equivalent to SGD2.74 million, based on the mutually agreed Q12023 average exchange rate of USD1:SGD1.3696) due and owing by the Target Company to the Serial System Group, arising from transactions between the Target Company and the Serial System Group during the Relevant Period, it undertakes to accept the settlement of all amounts outstanding under the Interco Loan (including principal and interest) and the Interco Balances via an issuance of 17,410,169 Interco Shares to Serial System at the Issue Price at Completion; and

(iv) in relation to the distribution of AMD Products by SerialTec during the Period Under Review, it shall procure that (a) SerialTec does not place any new orders for Non-AMD Products; and (b) SerialTec will sell off all its inventory of AMD Products within six (6) months following Completion; and

(v) in relation to any sums due from the Target Group to Serial System, Serial System will not demand for repayment until such time when the Target Group has the ability to repay these sums.

The Serial System Deed of Undertaking does not contain any other material conditions (including any reference to Serial System's continued interest in the Target Group).

5.5.6 Risk factors relating to the Proposed Acquisition

While we have, in the course of our evaluation, assessed the financial terms of the Proposed Acquisition and considered the transactions from the perspective of whether such terms are fair and reasonable, we have not examined the underlying business and financial risks associated with the Proposed Acquisition as well as the business prospects of the Target Company or the Enlarged Group following the completion of the Proposed Acquisition.

The risk factors in connection with the Proposed Acquisition and the Target Group are set out in Section 2.7 of the Circular. Should these risks occur or turn out to be material, they could materially and adversely affect the Target Group's business operations, financial position and/or results of operations.

6. PROPOSED ADOPTION OF THE PROPOSED IPT MANDATE

6.1 Mandated Interested Persons

The Proposed IPT Mandate will apply to the Mandated Transactions that are carried out between any Entity at Risk and the following Interested Persons:

(a) Serial System;

(b) SIFE;

(c) SMPL; and

(d) SerialTec.

(the "**Mandated Interested Persons**").

Transactions between the Mandated Interested Person and the EAR Group which do not fall within the ambit of the Proposed IPT Mandate shall be subject to the relevant provisions of Chapter 9 of the Catalist Rules and such guidelines and review procedures as set out in Section 29.5 of the Target Group's Letter to Shareholders.

6.2 Categories of Mandated Transactions

It is envisaged that in the ordinary course of business, the following transactions between the EAR Group and the Mandated Interested Person(s) are likely to occur from time to time:

(a) the provision of certain shared services, comprising (i) in-house legal support services; (ii) software (SAP) and IT support services; (iii) human resources and general administrative services; and (iv) trade credit insurance management services, by the Mandated Interested Persons to the EAR Group;

(b) the borrowing of funds and obtaining of guarantees and other supporting security from the Mandated Interested Persons, including standby letters of credit and trust receipts;

(c) the purchase by the EAR Group of IT products and computer peripherals from the Mandated Interested Persons; and

(d) the sale by the EAR Group of IT products and computer peripherals to the Mandated Interested Persons,

(collectively, the "**Mandated Transactions**").

For the avoidance of doubt, there will be no sale or purchase of any assets, undertakings or businesses within the scope of the Proposed IPT Mandate.

7. EVALUATION OF THE PROPOSED REVIEW PROCEDURES FOR THE TRANSACTIONS COVERED UNDER THE PROPOSED IPT MANDATE

7.1 Rationale for and Benefits of the Proposed IPT Mandate

The rationale for and benefits of the Proposed IPT Mandate are set out in Section 29.5 of the Target Group's Letter to Shareholders and has been reproduced below in italics:

"*Given the nature of the Target Company's business, the Target Group envisages that the Mandated Transactions are likely to continue to occur from time-to-time, in the ordinary course of our business. In view of the time-sensitive and recurrent nature of the Mandated Transactions, it would be advantageous for the Target Company to obtain the Proposed IPT Mandate to enable the EAR Group to enter into the Mandated Transactions, provided that the Mandated Transactions are carried out on normal commercial terms and are not prejudicial to the interests of the Enlarged Group and its minority Shareholders.*

The Proposed IPT Mandate and its subsequent renewal on an annual basis would eliminate the need to announce, or to announce and convene separate general meetings from time to time to seek Shareholders' prior approval as and when potential Mandated Transactions with the Mandated Interested Person arise, thereby saving substantial administrative time and costs expended in convening such meetings, without compromising the corporate objectives of the EAR Group and adversely affecting the business opportunities available to the EAR Group. These transactions may be constrained by their time-sensitive nature, and it may be impractical to seek Shareholders' approval on a case-by-case basis before entering into them.

The Proposed IPT Mandate is intended to facilitate the Mandated Transactions in the ordinary course of business of the EAR Group from time to time with the Mandated Interested Person, provided that they are carried out at arm's length and on normal commercial terms and are not prejudicial to the interests of the Enlarged Group and its minority Shareholders."

7.2 Guidelines and Review Procedures for Mandated Transactions with the relevant Mandated Interested Persons

We note that the Group will be implementing the following review procedures to ensure that Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders:

The full text of the guidelines and review procedures for the Mandated Transactions can be found in Section 29.5 of the Target Group's Letter to Shareholders and has been reproduced below:

"*Guidelines and Review Procedures for Mandated Transactions with the relevant Mandated Interested Persons*

*(a) The provision of (i) in-house legal support services; (ii) software (SAP) and IT support services; (iii) human resources and general administrative services; and (iv) trade credit insurance management services (the "**Shared Corporate Services**"), by the Mandated Interested Persons to the EAR Group*

In relation to the provision of the Shared Corporate Services by the Mandated Interested Persons to the EAR Group, the fees payable shall be the actual cost incurred by the Mandated Interested Persons in performing the scope of such services to the EAR Group, plus a pre-determined mark-up based on an annual independent benchmarking exercise to determine the reasonable arms' length range for the mark-up to allow the Mandated Interested Persons to comply with IRAS' guidelines on transfer pricing for the provision of services between related parties.

In the event that the Mandated Interested Persons obtain the services entirely from unrelated third parties and such services are shared with the EAR Group, the EAR Group will request for a copy of such contract from the Mandated Interested Persons to ensure that the Mandated Interested Persons are charging the EAR Group on a cost-recovery basis.

(b) The borrowing of funds and obtaining of guarantees and other supporting security from the Mandated Interested Persons, including standby letters of credit and trust receipts

In relation to the borrowing of funds and obtaining of guarantees from the Mandated Interested Persons by the EAR Group, the EAR Group will require that quotations shall be obtained from such Mandated Interested Person and at least two (2) banks for rates for loans of an equivalent amount, and for the equivalent period, of the funds to be borrowed. The EAR Group will only borrow funds from such Mandated Interested Person, provided that the terms quoted are no less favourable than those quoted by such banks, taking into account all relevant factors including availability of lenders, administrative fees payable and requisite security, guarantee or collateral to be provided.

In relation to other supporting security such as standby letters of credit and trust receipts that are obtained by Mandated Interested Persons from unrelated third-party banks or financial institutions, the EAR Group will request for a copy of such contract from the Mandated Interested Persons to ensure that the Mandated Interested Persons are charging the EAR Group on a cost-recovery basis.

(c) The purchase by the EAR Group of IT products and computer peripherals from the Mandated Interested Persons

In relation to certain IT products and computer peripherals that are distributed by the EAR Group, the Mandated Interested Persons purchase such IT products and computer peripherals from the Manufacturers, and the EAR Group would purchase such IT products and computer peripherals from the Mandated Interested Persons in order to satisfy orders received from its customers. Given the high volume of transactions and wide range of products, it would be overly cumbersome for the EAR Group to obtain two (2) comparative quotes from unrelated third parties each time it purchases from the Mandated Interested Persons. Accordingly, all such purchases shall be undertaken based on the pricing notifications received by the Mandated Interested Persons from the Manufacturers. The EAR Group will request for a copy of all such pricing notifications to ensure that the Mandated Interested Persons are charging the EAR Group on a cost-recovery basis.

In relation to the EAR Group's purchase of AMD Products through the Mandated Interested Persons, the EAR Group purchases such products at the same prices as other local in-country resellers of AMD Products and the EAR Group will request for a copy of all such pricing notifications to ensure that the prices charged are the same as those charged to other local in-country resellers of AMD Products without any administrative fee charged.

(d) The sale by the EAR Group of IT products and computer peripherals to the Mandated Interested Persons

Prior to the sale of IT products and computer peripherals to the Mandated Interested Persons, the price (or fee) and terms of at least two (2) other completed transactions of the same or substantially the same type of transactions to unrelated third parties are to be used as comparison wherever possible. While other factors will be taken into consideration, the Mandated Interested Persons shall generally be charged at rates consistent with the usual margins or prices (or fees) extended by the EAR Group to unrelated third parties.

There may be situations where competitive quotation or price comparisons may not be practicable or appropriate, such as: (i) where there are no independent third-party customers for similar products and services, taking into account factors such as quantity, specifications and delivery schedules; (ii) and where it is not practicable or appropriate to compare against the terms of other transactions or quotations with unrelated third parties or to obtain the price and terms of at least two (2) other transactions or in situations where the products may be sold only to a Mandated Interested Person. In determining whether the price and terms offered are fair and reasonable, the following pertinent factors (without limitation) will be taken into consideration:

(i) quantity;

(ii) delivery schedules;

(iii) specification compliance;

(iv) potential gross profit margins;

(v) payment and credit terms;

(vi) track record;

(vii) historical sale price set by the Group for such products;

(viii) availability of preferential rates (whether for bulk purchases or otherwise);

(ix) the cost of provision of such service and any applicable transfer pricing requirements guidelines issued by the relevant authorities; and/or

(x) gross profit margin test."

In addition, we note, *inter alia*, that the following approval thresholds and additional review procedures will be implemented:

(a) Mandated Transactions above USD100,000 shall require additional approval from the Group General Manager;

(b) Mandated Transactions equal to or above 3.0% of the latest audited NTA of the Enlarged Group shall require additional approval from the proposed New Audit and Risk Committee;

(c) all Mandated Transactions will be tabled to the proposed New Audit and Risk Committee for review and endorsement on a quarterly basis or as and when the cumulative value of the Mandated Transactions during the quarter (excluding those which have already been reviewed and endorsed or approved by the proposed New Audit and Risk Committee) exceeds 3.0% of the latest audited NTA of the EAR Group;

(d) the Finance Department will generate a monthly report comprising all pertinent information relating to the Mandated Transactions undertaken during the reporting month (the "**Mandated IPT Report**") for review by the Financial Controller;

(e) the Company's internal auditors will, on an annual basis, conduct a review to ascertain that the guidelines and review procedures established for the Mandated Transactions have been adhered to. Any discrepancies or significant variances from the established guidelines and review procedures will be highlighted to the proposed New Audit and Risk Committee;

(f) If pursuant to the relevant reviews, the proposed New Audit and Risk Committee is of the view that the established guidelines and review procedures for the Mandated Transactions have become inappropriate or insufficient to ensure that the Mandated Transactions will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, in view of changes to the nature of, or the manner in which, the business activities of the Enlarged Group are conducted, the proposed New Audit and Risk Committee will take such actions as it deems appropriate and/or modify or implement additional methods and procedures as necessary, and where relevant, seek a fresh Shareholders' general mandate based on new guidelines and review procedures for the Mandated Transactions; and

(g) Interested Person Transactions that are not covered by the Proposed IPT Mandate shall be subject to the general review procedures as set out in Section 29.4 of the Target Group's Letter to Shareholders.

8. OUR OPINION

In arriving at our opinion in relation to the Proposed Whitewash Resolution, we have considered and evaluated factors which we deem to have significant relevance to our assessment, particularly the key factors which are described in more details in Paragraph 5 of this IFA Letter (which should be read in conjunction with, and in the full context of, the Circular and this IFA Letter), including, *inter alia*, the following:

(i) The rationale for and benefits of the Proposed Acquisition, details of which are set out in Paragraph 5.1 of this IFA Letter;

(ii) The historical financial performance of the Target Group and the Thai IT Consumer Business, and historical financial position of the Target Company, details of which are set out in Paragraph 5.2 of this IFA Letter;

(iii) Assessment on the Purchase Consideration, details of which are set out in Paragraph 5.3 of this IFA Letter;

(iv) Assessment on the Issue Price for the Consideration Shares, details of which are set out in Paragraph 5.4 of this IFA Letter; and

(v) Other relevant considerations in relation to the Proposed Acquisition, details of which are set out in Paragraph 5.5 of this IFA Letter.

Having regard to the foregoing considerations set out in this IFA Letter and information available to us as at the Latest Practicable Date, we are of the opinion that:

(i) the financial terms of the Proposed Acquisition, being the subject of the Proposed Whitewash Resolution, are fair and reasonable;

(ii) the Proposed Whitewash Resolution, when considered in the context of the Proposed Acquisition, is not prejudicial to the interests of the Independent Shareholders; and

(iii) the review procedures for determining transaction prices of the recurrent Interested Person Transactions with Interested Persons covered under the Proposed IPT Mandate, if adhered to, are sufficient to ensure that the Interested Person Transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders.

Accordingly, we advise the Independent Recommending Directors to recommend to the Independent Shareholders to vote in favour of the Proposed Whitewash Resolution and the Proposed IPT Mandate.

Our opinion is prepared pursuant to the Whitewash Waiver and as required under Rule 920(1)(b) of the Catalist Rules, as well as addressed to the Independent Recommending Directors for their benefit and for the purpose of their consideration of the Proposed Whitewash Resolution and Proposed IPT Mandate. The recommendation to be made by the Independent Recommending Directors to the Independent Shareholders shall remain the responsibility of the Independent Recommending Directors.

Whilst a copy of this IFA Letter may be reproduced in the Circular, neither the Company, the Directors nor any other persons may reproduce, disseminate or quote this IFA Letter (or any part thereof) for any other purpose at any time and in any manner without our prior written consent in each specific case, except for the purposes of any matter relating to the Proposed Whitewash Resolution and the Proposed IPT Mandate.

This IFA Letter is governed by and construed in accordance with the laws of Singapore and is strictly limited to the matters stated herein and does not apply by implication to any other matter.

Yours faithfully,

For and on behalf of
W Capital Markets Pte. Ltd.

Foo Say Nam
Partner
Head of Advisory

AVA Associates Limited
806 Empress Plaza
17-19 Chatham Road South
Tsim Sha Tsui, Hong Kong

27 December 2023

To
Board of Directors
Axington Inc
c/o Serial System Ltd
8 Ubi View #05-01
Serial System Building
Singapore 408554

Dear Sirs,

Pursuant to instructions from Axington Inc. ("**Axington**" or the "**Company**"), AVA Associates Limited ("**AVA**") has performed a valuation to estimate the equity interest in each of the following companies as at 30 June 2023 ("**Valuation Date**").

1. 100% equity interest in Achieva Technology Sdn. Bhd. ("**Target Company**")
2. 49% equity interest in Achieva Digital (Thailand) Company Limited ("**Target Thai Company**")
   (together, the "**Target Group Companies**")

The purpose of this engagement is to assist the Board of Directors (the "**Board**") of Axington in their assessment of the value of the Target Group Companies and inclusion in a circular to the shareholders on the proposed acquisition of the Target Group Companies by Axington. No other use, direct or indirect, of our analysis is intended or inferred or shall be relied upon by the Company other than explicitly specified in our engagement letter dated 14 December 2022.

Definition of Value

In estimating the value of the Target Group Companies, our efforts were based on the following premise of value:

Market Value – *"The estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."* Such value represents an estimate based on the economic theory of equilibrium price for an asset in a perfect market.

Scope of Work

On 2 September 2022, Axington, listed on the Singapore Exchange Securities Trading Limited ("**SGX**"), announced that the Company has entered into a conditional sale and purchase agreement with Serial I-Tech (Far East) Pte. Ltd., a wholly-owned subsidiary of Serial System Ltd. ("**Serial System**"), in relation to the acquisition of the equity interest in Target Company. Subsequently, Serial System announced on 3 April 2023 that both parties have agreed to amend the sale and purchase agreement to include the 49% interest in Target Thai Company as part of the transaction. The interest in Target Thai Company refers only to the business of operating as a local in-country reseller of consumer and enterprise IT products and computer peripherals in Thailand (the "**Thai Consumer Business**") of Achieva Technology (Thailand Company Limited ("**Existing Thai Company**").

The Target Group Companies engage in the wholesale and distribution of computer components and peripherals, accessories, and other multimedia products in Malaysia and Thailand. It distributes an established and international portfolio of brands such as AMD, Intel, Gigabyte, MSI, AOC, Philips, ViewSonic, ASRock, Apacer, Thermaltake and DynaBook. The group work closely with partner brands to fulfil their distribution needs and provide a one-stop solution for their customers, mainly IT retail store operators and system integrators.

AVA has been engaged by Axington to assist the Company in its preparation of a set of values pertaining to the businesses of the Target Group Companies, in order to facilitate the Board's assessment of the proposed acquisition. Our work consisted of determining the value of the 100% in the Target Group Companies by summing the Market Value of (a) 100% interest in the business of Target Company and (b) 49% interest in the Thai Consumer Business of Target Thai Company as at Valuation Date.

The value of a 100% interest in each of the companies is derived primarily from a discounted cash flow ("**DCF**") analysis of the financial projections for the company. The value of the 49% interest in Target Thai Company is calculated before the summation of the values forms the value of the 100% interest in the Target Group Companies.

Our valuation and report are prepared in accordance with the International Valuation Standards (2020 edition) as published by the International Valuation Standard Committee and requirements as set out in Practice Note1 by Institute of Valuers and Appraisers of Singapore. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Preparation of an information checklist for information gathering;
- Site visits;
- Discussion with the appropriate parties regarding the identified assets, adopted/proposed valuation methodologies, current/proposed operations and historical/forecast financials of each of the companies in the Target Group Companies, as well as its prospects, etc;
- Development of appropriate valuation models pertinent to the exercise;
- Preparation of draft reports for discussion with the Company and Serial System; and
- Submission of the final report for the purpose of this exercise.

Sources of Information

As part of our due diligence, we relied upon documents supplied by Serial System, including, but not limited to, the following:

Target Company

- Unaudited financial statement for the 6-month ended 30 June 2023;
- Audited financial statements for the financial years ended 31 December 2020, 2021 and 2022;
- Breakdown of selected balance sheet items for 2020, 2021 and 2022;
- 5-year financial forecast;
- Distribution agreements;
- Tenancy agreements; and
- Other relevant documentations.

Target Thai Company

- Unaudited financial statement for the 6-month ended 30 June 2023;
- Unaudited annual financial statement of the Thai Consumer Business for the financial year ended 31 December 2022;
- Audited annual financial statement of Existing Thai Company for the 12-month ended 31 December 2022
- Breakdown of selected balance sheet items for 2022;
- 5-year financial forecast for the Thai Consumer Business; and
- Other relevant documentations.

We planned and performed our review and valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. In the course of our work, we held discussions with the management concerning the history and current conditions of the Target Group Companies, financial and general outlook of the business. We assumed that the data we obtained in the course of the valuation, along with the opinions and representations provided to us are true and accurate. We have, however, made reasonable enquiries and exercised our judgement on the reasonable use of such information and representations (as deemed necessary) provided to us, and have found no reason to doubt the accuracy or reliability of such information or representations which we have relied on. We also used financial and other information obtained from private and public sources we considered reliable. Our conclusions are dependent on such information being complete and accurate in all material respects. We believe the review and valuation procedures we employed provide a reasonable basis for our opinion.

Statement of Independence

We confirm that we have no present or contemplated interest in the Company, Serial System and the Target Group Companies, which is the subject of this valuation and are acting independently of all parties.

Valuation Theory

Our approach in valuing the identified asset relies on using the appropriate techniques to arrive at our conclusion of value. We considered the three generally recognized approaches to value: the income, market and cost approaches.

An overview of the three approaches considered is as follows:

- The Income Approach focuses on the income-producing capability of a business or asset. The income approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.
- The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. In estimating the value of a business under the market approach there are two methodologies: the publicly-traded guideline company methodology and the recent transaction methodology. The publicly traded guideline company methodology develops an indication of value for the subject company by calculating market pricing multiples for selected publicly-traded guideline companies and applying these multiples to the appropriate financial measures of the subject company. The recent transaction methodology develops an indication of value for the subject company by calculating market pricing multiples based on actual acquisitions of similar businesses and applying these multiples to the appropriate financial measures of the subject company. After deriving a value, adjustments are then made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.
- The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The cost approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

Selected Valuation Approach

Valuation of the Equity Interest in the Target Group Companies

We selected the Income Approach to estimate the value of the 100% interest in each of the operating companies in the Target Group Companies. The operating companies, as at Valuation Date, are Target Company and Target Thai Company. Our basis for selecting this approach was due to the availability of relevant data, specifically the historical financial and operating records for each company, as provided by Serial System. Based on this information, we utilized a DCF methodology to estimate the cash that is available, either to invest in new or existing businesses or to distribute, to both equity and debt holders of each company.

The value of the 100% equity interest of each company is derived based on the following formula:

Market Value of the Equity Interest
=
Enterprise Value – Debt + Cash + Non-Operating Assets/(Liabilities)

The value of 100% equity interest in Target Company and 49% equity interest in Target Thai Company are then summed up to form the value of the equity interest in the Target Group Companies.

The market approach was not deemed appropriate due to the lack of comparable market transactions and prices. We performed a similar transaction search and found no similar disclosed recent transactions. However, we reviewed the valuation of selected comparable companies to provide a sanity check on the results of our DCF analysis. While some may not be directly comparable, they can be useful for comparative purposes. Please refer to the list below of comparable companies selected for this valuation that are operating in the same industry as the Target Group Companies.

Listed in Malaysia

- Harvest Miracle Capital Berhad
- Radiant Globaltech Berhad
- SNS Network Technology Berhad
- VSTECS Berhad

Listed in Thailand

- Sky ICT Public Company Limited
- Metro Systems Corporation Public Company Limited
- SVOA Public Company Limited
- Simat Technologies Public Company Limited

Listed in Hong Kong

- Changhong Jiahua Holdings Limited
- S.A.S. Dragon Holdings Limited
- Mobicon Group Limited
- VSTECS Holdings Limited

Listed in South Korea

- PC Direct, Inc.

Listed in Singapore

- Ban Leong Technologies Limited

Listed in Taiwan

- Chander Electronics Corp.
- WPG Holdings Limited
- Synnex Technology International Corporation
- Weikeng Industrial Co., Ltd.
- EDOM Technology Co., Ltd.
- Promate Electronic Co., Ltd.
- Xander International Corp.
- WT Microelectronics Co., Ltd.
- Supreme Electronics Co., Ltd.

(collectively, the "**CompCos**")

The cost approach was also deemed inappropriate, as some of the significant assets of this business are the Target Group Companies' supplier relationships, distribution network and assembled workforce. These would not be properly reflected using a cost approach methodology.

Valuation of the Operating Businesses of the Target Group Companies

In line with our scope of work to derive the value of the Target Group Companies, we chose the DCF methodology as it enables us to view each company with its portfolio of assets as an operating entity, with the principal focus of the analysis on the operating entity's ability to generate free cash flow in the future, based on assumptions provided by the company. Free cash flow to enterprise/firm ("**FCFF**") is defined as cash that is available either to invest in new or existing businesses or to distribute to investors (equity and debt holders). Reasonable projections of revenues, expenses, and reinvestment requirements (i.e. working capital and capital expenditures) form the basis for estimating the future free cash flows that a company will likely generate from its existing business.

The FCFF for each year of the projection period was calculated by adding non-cash expenses, such as depreciation and amortization, interest, deferred rent, and stock option expense, to and deducting incremental investments in working capital, and capital expenditures from the net profit.

The projected free cash flows were discounted to present value at an appropriate rate of return, or "discount rate" that reflects macroeconomic, industry, and firm-specific factors in determining the degree of perceived risk associated with the projected cash flow. The sum of the discounted stream of future free cash flow, together with the value of non-operating assets, reflects the market value of the subject enterprise or portfolio of assets.

In addition to calculating the FCFF throughout the projection period, it is necessary to calculate the terminal value of the subject business which reflects the value of the total capital at the end of the projection period. The terminal value was calculated by applying the Gordon Growth Model, a mathematical simplification to capitalize an earnings stream that is expected to grow at a long-term sustainable rate "g" and discount rate "k" into perpetuity. The formula is as follows:

$$\text{Terminal Value} = \frac{\text{Normalized Free Cash to Equity \& Debt Holders} * (1 + \text{Constant Growth Rate})}{\text{Discount Rate} - \text{Growth Rate}}$$

The discount rate in this exercise is the weighted average cost of capital ("**WACC**"). It is comprised of a required rate of return on equity plus the current tax-effected rate of return on debt, weighted by the relative percentages of equity and debt in the capital structure of the target business and of comparable public companies whose business operations are similar to those of the target business.

Key Valuation Assumptions

We have assumed the following for the purpose of this exercise:

- In the course of operating the business, it will compose of all necessary assets, both tangible and intangible, to continue operating as it has under its current owners;
- The historical financial statements, while unaudited by external auditors, have been properly prepared to reflect true financial performance and standing;
- There will be no material change in the existing political, legal, technological, fiscal or economic condition which may adversely affect the development and business of the Target Group Companies; and
- There is no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value;
- The Company will continue to provide the required financial support to the Target Group Companies to operate the businesses as going-concern; and

- Serial System will continue to procure and supply products to the Target Group Companies, under existing terms and conditions, through its subsidiaries, Serial Microelectronics Pte Ltd and Serial I-Tech (Far East) Pte Ltd, both of whom have been appointed by the manufacturers as distributors for several countries, including Malaysia and Thailand.

The Target Group Companies has provided us with guidance on historical revenue, expenses, and working capital requirements. We were also provided with a 5-year financial projection for each company, accompanied by assumptions adopted for its forecasted operation. Based on our professional judgement, we have put forth a set of parameters deemed to be reasonable to arrive at a multi-year projection, from January 2023 to December 2027 with the terminal year beginning in 2028, and adopted it for the purpose of this valuation. We discussed the risks of achieving these projections and the overall reasonableness of the parameters used. We considered the impact of each valuation-related parameter individually, and the related impact on our overall valuation conclusions.

Although the information and assumptions used in the cash flow projections are a reasonable basis for valuation purposes, our analysis and use of them do not constitute an examination or compilation of prospective financial information in accordance with established standards.

AVA is unable to provide assurance on the achievability of the results forecasted by each of the Target Group Companies as events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of the management of the Target Group Companies. Except as disclosed in this report, neither AVA, Axington nor the Target Group Companies is aware of other liabilities, including any contingent liabilities or unusual contractual obligations or substantial commitments, which would have a material effect on the value of the Target Group Companies

Valuation of the Target Group Companies

Our DCF models to derive the value of the Target Group Companies, being a 100% equity interest in the subject, is based on a WACC of 12.0% and a terminal growth rate of 4.0% for Target Company. As for Target Thai Company, the WACC is 12.5% with a terminal growth rate of 4.0% as well.

Enterprise Value ("**EV**") is a measure of a company's value or business to its stakeholders, namely debt holders and equity owners. The EV is derived by summing the present value of FCFF over the forecast period and the terminal value. The EV of Target Company and Target Thai Company are calculated to be RM102,131,052 and THB360,913,437 respectively.

As for the 100% value of the equity interest in each company, the following formula is applied to arrive at a value of RM70,061,335 (rounded to S$20,340,000 based on exchange rate of RM3.4445/S$) for Target Company and THB367,242,920 (rounded to S$14,000,000 based on exchange rate of THB26.2816/S$) for Target Thai Company. Exchange rates as at Valuation Date are taken from XE Currency.

Market Value of the Equity Interest

=

Enterprise Value – Debt + Excess Cash + Non-Operating Assets/(Liabilities)

Balance sheet items that figured into the formula above, such as cash, borrowings and non-trade debtors/(creditors) are based on their book values as at Valuation Date.

Do note that any deviation from the above key limitations and assumptions may significantly impact the valuation result.

As mentioned, the value of the Target Group Companies is a summation of the value of the equity interest of each company in the Target Group Companies. The table below illustrates the summation of the rounded values in Singapore dollar.

Asset	Market Value (S$)
100% equity interest in Target Company	20,340,000
49% equity interest in Target Thai Company	6,860,000
Target Group Companies (rounded)	**27,200,000**

The conclusions of value are based on the accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of AVA and the Target Group Companies.

Users of this valuation report should be mindful that value is time dependent. In estimating the value, AVA has taken into consideration the available information, all known factors and market environment of the subject of valuation as at Valuation Date. The Valuation Date is the specific point in time as of which our opinion of value applies. This fundamental principle forbids the application of hindsight and removes any use of retrospective evidence such as data or information in forming the assessment of value, unless these facts would reasonably have been known or knowable as at Valuation Date. Our valuation is strictly guided by this principle.

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Conclusion of Value

Based on the information provided, our analyses and conclusions of the various approaches, and subject to the attached Statement of General Assumptions and Limiting Conditions, we are of the opinion that, as at Valuation Date, the value of the 100% interest in the Target Group Companies is reasonably represented as follows.

Asset	Market Value (S$)
100% equity interest in Target Company	20,340,000
49% equity interest in Target Thai Company	6,860,000
Total equity interest in the Target Group Companies	**27,200,000**

This is a summary report. A full valuation report is available at the office of Axington.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuations of prudent management of over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report and the observations and analyses are intended solely for use by the company and its shareholders, and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Company.

Respectfully submitted,

AVA Associates Limited

AVA Associates Limited, based in Hong Kong and Singapore, has been providing independent valuation services to clients in Asia since 2008. We provide transaction-based advisory services, primarily focusing on independent valuation services to assist its clients to comply with internal and external requirements. Our valuation team, made up of qualified professionals in their respective fields, has the expertise covering various classifications of tangible and intangible assets, focusing on four key competencies of business valuation, financial instrument valuation, intellectual property valuation and fixed asset valuation.

Statement of General Assumption and Limiting Conditions

This analysis is subject to the following general assumptions and limiting conditions:

Valuation - General

1. No investigation has been made of, and no responsibility is assumed for, the legal description of the property being valued or legal matters, including title or encumbrances. Title to the property is assumed to be good and marketable unless otherwise stated. The property is assumed to be free and clear of any liens, easements, encroachments, and other encumbrances unless otherwise stated.

2. Information furnished by others, upon which all or portions of this valuation is based, is believed to be reliable but has not been verified except as set forth in this report. No warranty is given as to the accuracy of such information.

3. This report has been made only for the purpose stated and shall not be used for any other purpose. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of AVA or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Company and its financial accounting firm, by any means without the prior written consent and approval of AVA.

4. This appraisal has been made in conformance with the International Valuation Standards issued by the International Valuation Standards Council.

5. Neither AVA nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.

6. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.

7. The date of value to which the estimate expressed in this report applies is set forth in the beginning of this report. This valuation is valid only for the valuation date indicated. Our analysis is based on the purchasing power of the Singapore Dollar as of that date.

8. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government, or private entity or organization have been or can readily be obtained or renewed for any use on which the value estimate provided in this report is based.

9. Full compliance with all applicable federal, state, and local zoning and use, occupancy, environmental, and similar laws and regulations is assumed, unless otherwise stated.

10. Responsible ownership and competent management are assumed.

11. The value estimate is predicated on the financial structure prevailing as of the date of this analysis.

12. This report may not be included or referred to in any statutory filing or other public document.

13. This is a Summary Report. As such, it might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the valuation professional's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the valuation professional's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The valuation professional is not responsible for unauthorized use of this report.

Valuer's Professional Declaration

The following valuers certify, to the best of their knowledge and belief, that:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal; and
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the International Valuation Standards published by the International Valuation Standards Committee.

Thomas Chua Boon Shyan
Director, CVA, MBA

Jack Li
Reviewer, CFA, MBA

Details of the changes in the aggregate interest (direct and deemed) of the Company before and after the Proposed Transactions are set out in the table below:

	As at the Latest Practicable Date				Enlarged Share Capital				After completion of the Proposed Transactions			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%	Number of Consolidated Shares	%
Proposed New Directors												
Mr Sean Goh	–	–	–	–	–	–	–	–	–	–	–	–
Ms Victoria Goh	–	–	–	–	–	–	–	–	–	–	–	–
Mr Kenny Sim	–	–	–	–	–	–	–	–	–	–	–	–
Mr Tan Thiam Hee	–	–	–	–	–	–	–	–	–	–	–	–
Mr Kenny Yap Kim Lee	–	–	–	–	–	–	–	–	–	–	–	–
Mr Solomon Tan	–	–	–	–	–	–	–	–	–	–	–	–
Mr Jason Su	–	–	–	–	–	–	–	–	–	–	–	–
Existing Substantial Shareholders (other than Proposed New Directors)												
Dorr [(1)]	148,335,700	79.5	–	–	18,541,963	13.3	–	–	18,541,963	10.3	–	–
Mr Terrance Loh Ne-Wei [(2)]	–	–	148,335,700	79.5	–	–	18,541,963	13.3	–	–	18,541,963	10.3
The Vendor												
Serial System	–	–	–	–	114,406,780	81.8	–	–	131,816,949[(6)]	73.3	–	–
Dr Derek Goh Bak Heng [(3)]	–	–	–	–	–		114,406,780	81.8	–	–	131,816,949	73.3
The Introducer												
Kho Wee Hong George	–	–	–	–	2,118,644	1.5	–	–	2,118,644	1.2	–	–
Other existing public shareholders	38,374,600	20.5	–	–	4,796,825	3.4	–	–	4,796,825	2.7	–	–
New public shareholders	–	–	–	–	–		–	–	22,500,000	12.5	–	–
Total	186,710,300 [(4)]	100.0	–	–	139,864,212 [(5)]	100.0	–	–	179,774,381 [(5)]	100.0	–	–

Notes:

(1) The Company was, pursuant to a letter dated 2 August 2021, notified by RSM Corporate Advisory Pte. Ltd. that Ms. Oon Su Sun and Mr. Lin Yueh Hung were appointed by DBS Bank Ltd. ("**DBS**") as joint and several receivers of all the shares owned by Dorr pursuant to a share charged dated 2 June 2020 entered into between Dorr and DBS Bank Ltd.

(2) Mr. Terence Loh Ne-Wei is the sole shareholder of Dorr and accordingly is deemed to be interested in the shares held by Dorr by virtue of Section 4 of the SFA.

(3) As at the Latest Practicable Date, Dr Derek Goh Bak Heng has direct and indirect interests in approximately 40.45% of Serial System and as such, is deemed interested in the Shares to be held by Serial System by virtue of section 4 of the SFA.

(4) Excluding treasury shares and subsidiary holdings. As at the Latest Practicable Date, the Company holds 9,700 Shares held as treasury shares.

(5) Excluding treasury shares and subsidiary holdings. Upon completion of the Share Consolidation, the Company will hold 1,213 Consolidated Shares as treasury shares.

(6) Including 17,410,169 Interco Shares.

FEDERAL TERRITORY OF LABUAN

THE LABUAN COMPANIES ACT, 1990

MEMORANDUM OF ASSOCIATION

OF

SERIAL ACHIEVA LIMITED

A. Name of the Company is **SERIAL ACHIEVA LIMITED.**

B. The registered office of the Company will be situated in the Federal Territory of Labuan, Malaysia and the management and control of the Company are to be exercised in Malaysia.

C. The objects for which the Company is established are:

(1) To carry on the business of an investment holding company and for that purpose to acquire and hold either in the name of the Company or in that of any nominee shares, stocks, debentures, debenture stocks, bonds, notes, obligations and securities issued or guaranteed by any company or any other legal entity wherever incorporated, formed or carrying on business, and debentures, debenture stocks, bonds, notes, obligations and securities issued or guaranteed by any government, sovereign ruler, commissioners, public body or authority supreme, dependent, municipal, local or otherwise in any part of the world.

(2) To invest the money of the Company upon such investments, undertaking, partnerships, syndicates, joint and singles ventures, public and private corporations and enterprises and in such manner as may from time to time be determined.

(3) To insure or guarantee the payment of advances, credits, bills of exchange and other commercial obligations or commitments of every description whether at home or abroad, and to indemnify any person against default in any such payment, and to guarantee the payment of money secured by or payable under or in respect of any debenture, debenture stock, bond, mortgage, charge or security of any person or corporation, or any local or other authority.

(4) To enter into or be a party to any transaction or document.

(5) To acquire, hold, dispose of or deal with any information or rights or property of any kind.

(6) To acquire, hold, dispose of or deal with the whole or any part of the undertaking of any other company, association or business.

(7) To dispose of or otherwise deal with the whole or any part of its undertaking or business.

(8) To assume any duties, obligations or liabilities.

(9) To acquire any rights or interests.

(10) To provide or procure the provision of any services.

(11) To lend and borrow in any currency or currencies except the Malaysian currency unless permitted under the Labuan Companies Act 1990, the regulations made thereunder and/or by the Labuan Financial Services Authority ("Authority") and/or any relevant governmental or non governmental authority.

(12) To procure its registration or recognition in any place outside Labuan.

(13) To create and extinguish liabilities and rights and interests.

(14) To issue shares, debentures and options, and to subscribe for shares, debentures and options and to redeem and forfeit the same.

(15) To employ or retain persons in and about its business or the business of any other company or person.

(16) To give indemnities and guarantees and obtain indemnities and guarantees.

(17) To take out insurance of all kinds whether over the property or rights of the Company or not.

(18) To promote any other company.

(19) To make gifts, donations and wagers, which may lawfully be made, whether the same may, or may not be for the purpose of advancing its business.

(20) To do any of the things which it may do in association with any other person and as principal or agent or as trustee or for its own benefit.

(21) To promote any other business.

(22) To do all such things as are incidental or conducive to the exercise of the powers of the Company.

(23) By way of settlement or other dealing or disposition, to give the right to a person not a member of the Company to share in the whole or any part of its gains or profits to the exclusion of its members, provided that in exercising such power no distribution of gains or profits shall be made pursuant to such settlement, disposition or other dealing which would exceed the amount properly distributed as a dividend or properly capable of being returned as capital surplus where such distribution is a distribution to some or to all of the members of the Company.

(24) To establish any office or acquire any subsidiary with prior approval from the Authority if necessary or so required.

(25) To do all other things which are not prohibited by any written law of Malaysia.

D. The liability of the members is limited.

E. The share capital of the Company may be divided into several classes and there may be attached thereto respectively, any preferential, deferred or other special or qualified rights, privileges, restrictions or conditions as regards dividends, return of capital, voting or otherwise.

F. The shares in the Company shall be issued in the currency of the **SINGAPORE DOLLAR.**

G. The Company by Special Resolutions has the power to amend or modify the provisions in this Memorandum of Association in any way which may be permitted by law.

FEDERAL TERRITORY OF LABUAN

THE LABUAN COMPANIES ACT, 1990

ARTICLES OF ASSOCIATION

OF

SERIAL ACHIEVA LIMITED

Interpretation

1. In these Articles, if not inconsistent with the subject or context, the words standing in the first column below shall bear the meanings set opposite to them respectively:

"**Act**"	The Labuan Companies Act 1990 or any statutory modification, amendment or re- enactment thereof for the time being in force.
"**Alternate Director**"	An Alternate Director appointed pursuant to Article 102.
"**Annual General Meeting**"	An annual general meeting of the Company.
"**Articles**"	These Articles of Association or other regulations of the Company for the time being in force as originally framed, or as amended from time to time.
"**Chairman**"	The chairman of the Directors or the chairman of the Annual General Meeting or general meeting of the Company as the case may be.
"**Company**"	The above named Company by whatever name from time to time called.
"**Directors**" or the "**Board of Directors**"	The directors for the time being of the Company or such number of them as having authority to act for the Company.
"**domestic company**"	A company incorporated under the Companies Act 1965 enacted in Malaysia.
"**Depositor**"	An account holder or a depository agent but does not include a sub-account holder.
"**Depository**"	The Central Depository (Pte) Limited or any other corporation approved as a depository company or corporation for the purposes of the Companies Act (Cap. 50), which operates the Central Depository System for the holding and transfer of book-entry securities

"**Depository Agent**"	A member company of the Exchange, a trust company (licensed under the Singapore Trust Companies Act (Cap. 336)), a banking corporation or merchant bank (approved by the Monetary Authority of Singapore under the Monetary Authority of Singapore Act (Cap. 186)) or any other person or body approved by the Depository who or which — (a) performs services as a depository agent for sub-account holders in accordance with the terms of a depository agent agreement entered into between the Depository and the Depository Agent; (b) deposits book-entry securities with the Depository on behalf of the sub- account holders; and (c) establishes an account in its name with the Depository;
"**Depository Register**"	A register maintained by the Depository in respect of book-entry securities.
"**electronic communication**"	Communication transmitted (whether from one person to another, from one device to another, from a person to a device or from a device to a person): (a) by means of a telecommunication system; or (b) by other means but while in an electronic form, such that it can (where particular conditions are met) be received in legible form or be made legible following receipt in non-legible form.
"**Exchange**"	The Singapore Exchange Securities Trading Limited and, where applicable, its successors in title.
"**Instruments**"	Offers, agreements or options that might or would require shares to be issued including but not limited to the creation and issue of warrants, debentures or other instruments convertible or exchangeable into shares.
"**Labuan company**"	A company incorporated or registered under the Act.
"**Labuan trust company**"	A corporation registered as a Labuan trust company under the Labuan Financial Services and Securities Act 2010 enacted in Malaysia.
"**market day**"	A day on which the Exchange is open for trading of securities.
"**Member**" or "**holder of any share**"	A registered shareholder for the time being of the Company or if the registered shareholder is the Depository, a Depositor named in the Depository Register (for such period as shares are entered in the Depositor's Securities Account), excluding the Company where it is a Member by reason of its holding of its shares as treasury shares.

"**month**"	Calendar month.
"**Office**"	The registered office of the Company for the time being.
"**paid**"	Paid or credited as paid.
"**Register of Members**"	The Register of registered shareholders of the Company.
"**Resident**"	(a) in relation to a natural person, a citizen or permanent resident of Malaysia; or (b) in relation to any other person, a person who has established a place of business, and is operating, in Malaysia, and includes a person who is declared to be a resident pursuant to section 213 of the Financial Services Act 2013 enacted in Malaysia.
"**Seal**"	The common seal of the Company.
"**Secretary**"	The secretary or secretaries appointed to perform the duties of a secretary of the Company or where two or more persons are appointed to act as Joint Secretaries, any one of those persons.
"**Securities Account**"	The securities account maintained by a Depositor with a Depository.
"**treasury shares**"	Has the same meaning given to it in the Act, namely, shares which were (or treated as having been) purchased by the Company in circumstances in which section 47A of the Act applies, and have been held by the Company continuously since the treasury shares were so purchased.
"**writing**" and "**written**"	Includes printing, lithography, typewriting and any other mode of representing or reproducing words in a visible form.
"**year**"	Calendar year.
"**S$**"	The lawful currency of Singapore.

References in the Articles to "holder" or "holder(s)" of shares or a class of shares shall:

(a) exclude the Depository or its nominee (as the case may be), except where otherwise expressly provided in these Articles, or where the term "registered holders" or "registered holder" is used in these Articles;

(b) where the context so requires, be deemed to include references to Depositors whose names are entered in the Depository Register in respect of those shares; and

(c) except where expressly provided in these Articles, exclude the Company in relation to shares held by it as treasury shares,

and "holding" and "held" shall be construed accordingly.

References in these Articles to "member" shall, where the Act requires, exclude the Company where it is a member by reason of its holding of its shares as treasury shares.

The expression "clear days' notice" shall, for the purposes of calculating the number of days necessary before a notice is served or deemed to be served, be exclusive of the day on which the notice is served or deemed to be served and of the day for which the notice is given.

The expression "shares" shall mean the shares of the Company;

Words denoting the singular number only shall include the plural and vice versa. Words denoting the masculine gender only shall include the feminine gender. Words denoting persons shall include corporations.

Save as aforesaid, any word or expression used in the Act and the Interpretation Act 1948 and 1967 shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

References in these Articles to any enactment are a reference to that enactment as for the time being amended or re-enacted.

The headnotes and marginal notes are inserted for convenience only and shall not affect the construction of these Articles.

PUBLIC COMPANY

Public company

2. The Company is a public company.

ISSUE OF SHARES

Issue of new shares

3. Subject to the Act and these Articles, no shares may be issued by the Directors without the prior sanction of an ordinary resolution of the Company in general meeting but subject thereto and to Article 46, and to any special rights attached to any shares for the time being issued, the Directors may issue, allot or grant options over or otherwise deal with or dispose of the same to such persons on such terms and conditions and for such consideration and at such time and subject or not to the payment of any part of the amount thereof in cash as the Directors may think fit, and any shares may be issued in such denominations or with such preferential, deferred, qualified or special rights, privileges or conditions as the Directors may think fit, and preference shares may be issued which are or at the option of the Company are liable to be redeemed, the terms and manner of redemption being determined by the Directors.

Rights attached to certain shares

4. (1) Preference shares may be issued subject to such limitations thereof as may be prescribed by any stock exchange upon which shares of a class in the Company may be listed and the rights attaching to shares other than ordinary shares shall be expressed in the Memorandum of Association or these Articles. The total number of issued preference shares shall not exceed the total number of issued ordinary shares at any time. Preference shareholders shall have the same rights as ordinary shareholders as regards receiving of notices, reports and balance sheets and attending general meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital or winding up or sanctioning a sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six (6) months in arrears.

(2) The Company has power to issue further preference capital ranking equally with, or in priority to, preference shares from time to time already issued or about to be issued.

Treasury shares

5. The Company shall not exercise any rights (including the right to attend and vote at general meetings) in respect of treasury shares other than as provided by the Act. Subject thereto, the Company may hold or deal with its treasury shares in the manner authorised by, or prescribed pursuant to, the Act.

Book-entry securities

5A. The provisions of these Articles relating to the transfer, transmission and certification of shares shall not apply to any transactions affecting book-entry securities (as defined in the Singapore Companies Act).

VARIATION OF RIGHTS

Variation of rights

6. (1) If at any time the share capital is divided into different classes, the repayment of preference capital other than redeemable preference capital and the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, subject to the provisions of the Act, whether or not the Company is being wound up, only be made, varied or abrogated with the sanction of a special resolution passed at a separate general meeting of the holders of shares of the class and to every such special resolution, the provisions of Section 101 of the Act shall, with such adaptations as are necessary, apply. To every such separate general meeting, the provisions of these Articles relating to general meetings shall *mutatis mutandis* apply; but so that the necessary quorum shall be two (2) persons at least holding or representing by proxy or by attorney one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy or by attorney may demand a poll. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the issued shares of the class concerned within two (2) months of the general meeting shall be as valid and effectual as a special resolution carried at the general meeting.

Rights of preference shareholders

(2) The repayment of preference capital other than redeemable preference or any other alteration of preference shareholder rights may only be made pursuant to a special resolution of the preference shareholders concerned. Provided always that where the necessary majority for such a special resolution is not obtained at the general meeting, consent in writing if obtained from the holders of three-fourths of the preference shares concerned within two (2) months of the general meeting, shall be as valid and effectual as a special resolution carried at the general meeting.

Creation or issue of further shares with special rights

7. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall, unless otherwise expressly provided by the terms of issue of the shares of that class or by these Articles, be deemed to be varied by the creation or issue of further shares ranking equally therewith.

SHARES

Power to pay commission and brokerage

8. Unless otherwise specified or restricted by law, the Company may pay commissions or brokerage on any issue or purchase of its shares, or sale, disposal or transfer of treasury shares at such rate or amount and in such manner as the Directors may deem fit. Such commissions or brokerage may be satisfied by the payment of cash or the allotment of fully or partly paid shares, or partly in one way and partly in the other.

Power to charge interest on capital

9. If any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a lengthened period, the Company may, subject to the conditions and restrictions mentioned in the Act, pay interest on so much of the share capital as is for the time being paid up and may charge the same to capital as part of the cost of the construction or provision.

Depository or its nominee company deemed to be bare trustee

10. The Depository or its nominee company shall, in relation to deposited securities which are registered in its name, be deemed to be a bare trustee for the Depositors.

Fractional part of a share

11. Except as required by law, no person shall be recognised by the Company as having title to a fractional part of a share otherwise than as the sole or a joint holder of the entirety of such share.

Payment of instalments

12. If by the conditions of allotment of any shares the whole or any part of the amount of the issue price thereof shall be payable by instalments every such instalment shall, when due, be paid to the Company by the person who for the time being shall be the registered holder of the share or his personal representatives, but this provision shall not affect the liability of any allottee who may have agreed to pay the same.

SHARE CERTIFICATES

Share certificates

13. The certificate of title to shares or debentures in the capital of the Company shall be issued under the seal in such form as the Directors shall from time to time prescribe and may bear the autographic or facsimile signatures of at least two (2) Directors, or of one (1) Director and the Secretary or some other person appointed by the Directors in place of the Secretary for the purpose, and shall specify the number and class of shares to which it relates, the amounts paid thereon, the amount (if any) unpaid on the shares and the extent to which the shares are paid up. The facsimile signatures may be reproduced by mechanical or other means provided the method or system of reproducing signatures has first been approved by the auditors of the Company.

Joint holders

14. (1) The Company shall not be bound to register more than three (3) persons as the joint holders of any share except in the case of executors, trustees or administrators of the estate of a deceased Member.

(2) If two (2) or more persons are registered as joint holders of any share any one of such persons may give effectual receipts for any dividend payable in respect of such share and the joint holders of a share shall, subject to the provisions of the Act, be severally as well as jointly liable for the payment of all instalments and calls and interest due in respect of such shares.

(3) Only the person whose name stands first in the Register of Members as one (1) of the joint holders of any share shall be entitled to delivery of the certificate relating to such share or to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders. Only the person whose name stands first in the Depository Register shall be entitled to receive notices from the Company and any notice given to such person shall be deemed notice to all the joint holders.

Entitlement to certificate

15. (1) Shares must be allotted and certificates despatched within ten (10) market days of the final closing date for an issue of shares unless the Exchange shall agree to an extension of time in respect of that particular issue. The Depository must despatch statements to successful investor applicants confirming the number of shares held under their Securities Accounts. Persons entered in the Register of Members as registered holders of shares shall be entitled to certificates within ten (10) market days after lodgement of any transfer. Every registered shareholder shall be entitled to receive share certificates in reasonable denominations for his holding and where a charge is made for certificates, such charge shall not exceed S$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed). Where a registered shareholder transfers part only of the shares comprised in a certificate or where a registered shareholder requires the Company to cancel any certificate or certificates and issue new certificates for the purpose of subdividing his holding in a different manner the old certificate or certificates shall be cancelled and a new certificate or certificates for the balance of such shares issued in lieu thereof and the registered shareholder shall pay a fee not exceeding S$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) for each such new certificate as the Directors may determine. Where the member is a Depositor the delivery by the Company to the Depository of provisional allotments or share certificates in respect of the aggregate entitlements of Depositors to new shares offered by way of placement, rights issue or other preferential offering or bonus issue shall to the extent of the delivery discharge the Company from any further liability to each such Depositor in respect of his individual entitlement.

Retention of Certificate

(2) The retention by the Directors of any unclaimed share certificates (or stock certificates as the case may be) shall not constitute the Company a trustee in respect thereof. Any share certificate (or stock certificate as the case may be) unclaimed after a period of six (6) years from the date of issue of such share certificate (or stock certificate as the case may be) may be forfeited and if so shall be dealt with in accordance with Articles 36, 39, 40, 44 and 45, *mutatis mutandis*.

New certificates may be issued

16. (1) Subject to the provisions of the Act, if any share certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, purchaser, member firm or member company of the Exchange or on behalf of its or their client or clients as the Directors of the Company shall require, and (in case of defacement or wearing out) on delivery up of the old certificate and in any case on payment of such sum not exceeding S$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require. In the case of destruction, loss or theft, a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such destruction or loss.

New certificate in place of one not surrendered

(2) When any shares under the powers in these Articles herein contained are sold by the Directors and the certificate thereof has not been delivered up to the Company by the former holder of the said shares, the Directors may issue a new certificate for such shares distinguishing it in such manner as they may think fit from the certificate not so delivered up.

TRANSFER OF SHARES

Form of transfer of shares

17. Subject to these Articles, any Member may transfer all or any of his shares but every instrument of transfer of the legal title in shares must be in writing and in the form for the time being approved by the Directors and the Exchange. Shares of different classes shall not be comprised in the same instrument of transfer. The Company shall accept for registration transfers in the form approved by the Exchange.

Execution

18. The instrument of transfer of a share shall be signed by or on behalf of the transferor and the transferee and be witnessed, provided that an instrument of transfer in respect of which the transferee is the Depository shall not be ineffective by reason of it not being signed or witnessed for by or on behalf of the Depository. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register of Members.

Person under disability

19. No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind but nothing herein contained shall be construed as imposing on the company any liability in respect of the registration of such transfer if the company has no actual knowledge of the same.

Directors' power to decline to register

20. (1) Subject to these Articles, there shall be no restriction on the transfer of fully paid up shares except where required by law or by the rules, bye-laws or listing rules of the Exchange but the Directors may in their discretion decline to register any transfer of shares upon which the Company has a lien and in the case of shares not fully paid up may refuse to register a transfer to a transferee of whom they do not approve. If the Directors shall decline to register any such transfer of shares, they shall give to both the transferor and the transferee written notice of their refusal to register as required by the Act and the listing rules of the Exchange.

Terms of registration of transfers

(2) The Directors may decline to register any instrument of transfer unless:

(i) such fee not exceeding S$2 (or such other fee as the Directors may determine having regard to any limitation thereof as may be prescribed by any stock exchange upon which the shares of the Company may be listed) as the Directors may from time to time require, is paid to the Company in respect thereof;

(ii) the instrument of transfer, duly stamped in accordance with any law for the time being in force relating to stamp duty, is deposited at the Office or at such other place (if any) as the Directors appoint accompanied by a certificate of payment of stamp duty (if any is payable), the certificates of the shares to which the transfer relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and, if the instrument of transfer is executed by some other person on his behalf, the authority of the person so to do; and

(iii) the instrument of transfer is in respect of only one (1) class of shares.

Retention of transfers

21. (1) All instruments of transfer which are registered may be retained by the Company, but any instrument of transfer which the Directors may decline to register shall (except in the case of fraud) be returned to the person depositing the same.

(2) Subject to any legal requirements to the contrary, the Company shall be entitled to destroy all instruments of transfer which have been registered at any time after the expiration of six (6) years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after the expiration of six (6) years from the date of recording thereof and all share certificates which have been cancelled at any time after the expiration of six (6) years from the date of the cancellation thereof and it shall be conclusively presumed in favour of the Company that every entry in the Register of Members purporting to have been made on the basis of an instrument of transfer or other documents so destroyed was duly and properly made and every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and every share certificate so destroyed was a valid and effective certificate duly and properly cancelled and every other document hereinbefore mentioned so destroyed was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided that:

(i) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant;

(ii) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any circumstances which would not attach to the Company in the absence of this Article; and

(iii) references herein to the destruction of any document include references to the disposal thereof in any manner.

Closing of Register

22. The Register of Members and the Depository Register may be closed at such times and for such period as the Directors may from time to time determine, provided always that the Registers shall not be closed for more than thirty days in the aggregate in any year. Provided always that the Company shall give prior notice of such closure as may be required to the Exchange, stating the period and purpose or purposes for which the closure is made.

Renunciation of allotment

23. (1) Nothing in these Articles shall preclude the Directors from recognising a renunciation of the allotment of any share by the allottee in favour of some other person.

Indemnity against wrongful transfer

(2) Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers, be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns, alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

TRANSMISSION OF SHARES

Transmission on death

24. (1) In case of the death of a registered shareholder, the survivor or survivors, where the deceased was a joint holder, and the legal representatives of the deceased, where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having any title to his interest in the shares, but nothing herein shall release the estate of a deceased registered shareholder (whether sole or joint) from any liability in respect of any share held by him.

(2) In the case of the death of a Depositor, the survivor or survivors, where the deceased was a joint holder, and the legal personal representatives of the deceased, where he was a sole holder and where such legal representatives are entered in the Depository Register in respect of any shares of the deceased, shall be the only persons recognised by the Company as having any title to his interests in the share; but nothing herein contained shall release the estate of a deceased Depositor (whether sole or joint) from any liability in respect of any share held by him.

Persons becoming entitled on death or bankruptcy of Member may be registered

25. (1) Any person becoming entitled to a share in consequence of the death or bankruptcy of any Member or by virtue of a vesting order by a court of competent jurisdiction and recognised by the Company as having any title to that share may, upon producing such evidence of title as the Directors shall require, be registered himself as holder of the share upon giving to the Company notice in writing or transfer such share to some other person. If the person so becoming entitled shall elect to be registered himself, he shall send to the Company a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of these Articles relating to the right to transfer and the registration of transfers shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer executed by such Member. The Directors shall have, in respect of a transfer so executed, the same power of refusing registration as if the event upon which the transmission took place had not occurred, and the transfer were a transfer executed by the person from whom the title by transmission is derived.

Notice to unregistered executors and trustees

(2) The Directors may at any time give notice requiring any such person to elect whether to be registered himself as a Member in the Register of Members or, (as the case may be), entered in the Depository Register in respect of the share or to transfer the share and if the notice is not complied with within sixty (60) days the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.

Rights of unregistered executors and trustees

26. A person entitled to a share by transmission shall be entitled to receive, and may give a discharge for, any dividends or other moneys payable in respect of the share, but he shall not be entitled in respect of it to receive notices of or to attend or vote at meetings of the Company, or, save as aforesaid, to exercise any of the rights or privileges of a Member, unless and until he shall become registered as a shareholder or have his name entered in the Depository Register as a Depositor in respect of the share.

Fee for registration of probate, etc.

27. There shall be paid to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney or other document relating to or affecting the title to any share, such fee not exceeding S$2 (or such other sum as may be approved by the Exchange from time to time) as the Directors may from time to time require or prescribe.

CALL ON SHARES

Calls on shares

28. The Directors may from time to time make such calls as they think fit upon the Members in respect of any money unpaid on their shares and not by the terms of the issue thereof made payable at fixed times, and each Member shall (subject to receiving at least fourteen (14) days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. The joint holders of a share shall be jointly and severally liable to the payment of all calls and instalments in respect thereof.

Time when made

29. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed and may be made payable by instalments.

Interest on calls

30. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum due from the day appointed for payment thereof to the time of actual payment at such rate not exceeding eight (8) per cent per annum as the Directors determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

Sum due to allotment

31. Any sum which by the terms of issue and allotment of a share becomes payable upon allotment or at any fixed date shall for all purposes of these Articles be deemed to be a call duly made and payable on the date on which, by the terms of issue, the same becomes payable, and in case of non-payment all the relevant provisions of the Articles as to payment of interest and expenses, forfeiture or otherwise shall apply as if such sum had become payable by virtue of a call duly made and notified.

Power to differentiate

32. The Directors may on the issue of shares differentiate between the holders as to the amount of calls to be paid and the times of payments.

Payment in advance of calls

33. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the money uncalled and unpaid upon the shares held by him and such payments in advance of calls shall extinguish (so far as the same shall extend) the liability upon the shares in respect of which it is made, and upon the money so received or so much thereof as from time to time exceeds the amount of the calls then made upon the shares concerned, the Company may pay interest at such rate not exceeding without the sanction of the Company in general meeting eight (8) per cent per annum as the Member paying such sum and the Directors agree upon. Capital paid on shares in advance of calls shall not whilst carrying interest confer a right to participate in profits and until appropriated towards satisfaction of any call shall be treated as a loan to the Company and not as part of its capital and shall be repayable at any time if the Directors so decide.

FORFEITURE AND LIEN

Notice requiring payment of calls

34. If any Member fails to pay in full any call or instalment of a call on or before the day appointed for payment thereof, the Directors may at any time thereafter serve a notice on such Member requiring payment of so much of the call or instalment as is unpaid together with any interest and expense which may have accrued by reason of such non-payment.

Notice to state time and place

35. The notice shall name a further day (not being less than seven (7) days from the date of service of the notice) on or before which and the place where the payment required by the notice is to be made, and shall state that in the event of non-payment in accordance therewith the shares on which the call was made will be liable to be forfeited.

Forfeiture on non-compliance with notice

36. If the requirements of any such notice as aforesaid are not complied with any share in respect of which such notice has been given may at any time thereafter, before payment of all calls and interest and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited share and not actually paid before the forfeiture. The forfeiture or surrender of a share shall involve the extinction at the time of forfeiture or surrender of all interest in and all claims and demands against the Company in respect of the share, and all other rights and liabilities incidental to the share as between the Member whose share is forfeited or surrendered and the Company, except only such of those rights and liabilities as are by these Articles expressly saved, or as are by the Act given or imposed in the case of past Members. The Directors may accept a surrender of any share liable to be forfeited hereunder.

Notice of forfeiture to be given and entered

37. When any share has been forfeited in accordance with these Articles, notice of the forfeiture shall forthwith be given to the holder of the share or to the person entitled to the share by transmission, as the case may be, and an entry of such notice having been given, and of the forfeiture with the date thereof, shall forthwith be made in the Register of Members or in the Depository Register (as the case may be) opposite to the share; but the provisions of this Article are directory only, and no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or to make such entry as aforesaid.

Directors may allow forfeited share to be redeemed

38. Notwithstanding any such forfeiture as aforesaid, the Directors may, at any time before the forfeited share has been otherwise disposed of, annul the forfeiture, upon the terms of payment of all calls and interest due thereon and all expenses incurred in respect of the share and upon such further terms (if any) as they shall see fit.

Sale of shares forfeited

39. A share so forfeited or surrendered shall become the property of the Company and may be either cancelled, sold, re- allotted or otherwise disposed of either to the person who was before such forfeiture or surrender the holder thereof or entitled thereto or to any other person, upon such terms and in such manner as the Directors shall think fit, and at any time before a sale, re-allotment or disposition the forfeiture or surrender may be cancelled on such terms as the Directors think fit. To give effect to any such sale, the Directors may, if necessary, authorise some person to transfer a forfeited or surrendered share to any such person as aforesaid.

Rights and liabilities of Members whose shares have been forfeited or surrendered

40. A Member whose shares have been forfeited or surrendered shall cease to be a Member in respect of the shares, but shall notwithstanding the forfeiture or surrender remain liable to pay to the Company all moneys which at the date of forfeiture or surrender were payable by him to the Company in respect of the shares with interest thereon at eight (8) per cent per annum (or such lower rate as the Directors may approve) from the date of forfeiture or surrender until payment, but such liability shall cease if and when the Company receives payment in full of all such money in respect of the shares and the Directors may waive payment of such interest either wholly or in part.

Company's lien

41. The Company shall have a first and paramount lien and charge on every share (not being a fully paid share) in the name of each Member (whether solely or jointly with others) and on the dividends declared or payable in respect thereof for all unpaid calls and instalments due on any such share and interest and expenses thereon but such lien shall only be upon the specific shares in respect of which such calls or instalments are due and unpaid and to such amounts as the Company may be called upon by law to pay in respect of the shares of the Member or deceased Member. The Directors may waive any lien which has arisen and may resolve that any share shall for some limited period be exempt wholly or partially from the provisions of this Article.

Member not entitled to privileges until all calls paid

42. No Member shall be entitled to receive any dividend or to exercise any privileges as a Member until he shall have paid all calls for the time being due and payable on every share held by him, whether alone or jointly with any other person, together with interest and expenses (if any).

Sale of shares subject to lien

43. The Directors may sell in such manner as the Directors think fit any share on which the Company has a lien but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of seven (7) days after notice in writing stating and demanding payment of the sum payable and giving notice of intention to sell in default, shall have been given to the Member for the time being in relation to the share or the person entitled thereto by reason of his death or bankruptcy. To give effect to any such sale, the Directors may authorise some person to transfer the shares sold to the purchaser thereof.

Application of proceeds of such sale

44. The net proceeds of sale, whether of a share forfeited by the Company or of a share over which the Company has a lien, after payment of the costs of such sale shall be applied in or towards payment or satisfaction of the unpaid call and accrued interest and expenses and the residue (if any) paid to the Member entitled to the share at the time of sale or his executors, administrators or assigns or as he may direct.

Title to shares forfeited or surrendered or sold to satisfy a lien

45. A statutory declaration in writing by a Director of the Company that a share has been duly forfeited or surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts stated therein as against all persons claiming to be entitled to the share, and such declaration and the receipt of the Company for the consideration (if any) given for the share on the sale, re- allotment or disposal thereof, together with the certificate under seal for the share delivered to a purchaser or allottee thereof, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share and the person to whom the share is sold, re-allotted or disposed of shall be entered in the Register of Members as the holder of the share or (as the case may be) in the Depository Register in respect of the share and shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the forfeiture, surrender, sale, re-allotment or disposal of the share.

ALTERATION OF CAPITAL

Rights and privileges of new shares

46. Subject to any special rights for the time being attached to any existing class of shares, the new shares shall be issued upon such terms and conditions and with such rights and privileges annexed thereto as the general meeting resolving upon the creation thereof shall direct and if no direction be given as the Directors shall determine; subject to the provisions of these Articles and in particular (but without prejudice to the generality of the foregoing) such shares may be issued with a preferential or qualified right to dividends and in the distribution of assets of the Company or otherwise.

Issue of new shares to Members

47. (1) Subject to any direction to the contrary that may be given by the Company in general meeting, or except as permitted under the Exchange's listing rules, all new shares shall before issue be offered to the Members in proportion, as nearly as the circumstances admit, to the number of the existing shares to which they are entitled or hold. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.

(2) Notwithstanding Article 47(1) above but subject to the Act and the byelaws and listing rules of the Exchange, the Company may by ordinary resolution in general meeting give to the Directors a general authority, either unconditionally or subject to such conditions as may be specified in the ordinary resolution to:

(i) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant Instruments; and/or

(iii) (notwithstanding the authority conferred by the ordinary resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the ordinary resolution was in force;

provided that:

(a) the aggregate number of shares or Instruments to be issued pursuant to the ordinary resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to the ordinary resolution but excluding shares which may be issued pursuant to any adjustments effected under any relevant Instrument) does not exceed any applicable limits prescribed by the Exchange;

(b) in exercising the authority conferred by the ordinary resolution, the Company shall comply with the listing rules for the time being in force (unless such compliance is waived by the Exchange) and the Articles; and

(c) unless revoked or varied by the Company in general meeting) the authority conferred by the ordinary resolution shall not continue in force beyond the conclusion of the Annual General Meeting next following the passing of the ordinary resolution, or the date by which such Annual General Meeting is required by law to be held, or the expiration of such other period as may be prescribed by the Act (whichever is the earliest).

(3) Notwithstanding Article 47(1) above but subject to the Act, the Directors shall not be required to offer any new shares to members to whom by reason of foreign securities laws such offers may not be made without registration of the shares or a prospectus or other document, but may sell the entitlements to the new shares on behalf of such Members in such manner as they think most beneficial to the Company.

New shares otherwise subject to provisions of Articles

48. Except so far as otherwise provided by the conditions of issue or by these Articles, any capital raised by the creation of new shares shall be considered part of the original ordinary capital of the Company and shall be subject to the provisions of these Articles with reference to allotments, payment of calls, lien, transfer, transmission, forfeiture and otherwise.

Power to consolidate, cancel and subdivide shares

49. (1) Subject to the Act, the Company may by ordinary resolution alter its share capital in the manner permitted under the Act including without limitation:

(i) consolidate and divide all or any of its shares;

(ii) cancel the number of shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person or which have been forfeited and diminish its share capital in accordance with the Act;

(iii) subdivide its shares or any of them (subject to the provisions of the Act and the listing rules for the time being in force), provided always that in such subdivision the proportion between the amount paid and the amount (if any) unpaid on each reduced share shall be the same as it was in the case of the share from which the reduced share is derived; and

(iv) subject to the provisions of these Articles and the Act, convert any class of shares into any other class of share.

Repurchase of Company's shares

49A. The Company may purchase its own shares provided that:

(i) the purchases thereof, whether direct or indirect, shall be made to the extent of any solvent surplus available;

(ii) the purchase is approved via a special resolution of the Company; and

(iii) the purchase is made in accordance with the provisions of section 48A of the Act and the rules of the Exchange.

49B. Shares that the Company purchases or otherwise acquires pursuant to Article 49A and, section 48A of the Act and the rules of Exchange may be cancelled or held as treasury shares where the number of shares purchased or acquired, when aggregated with shares of the same class held by the Labuan company at the time of the purchase or acquisition, does not exceed fifteen per cent of the shares of that class previously issued by the Company.

49C. All rights (including dividend rights) attached to a treasury share are suspended and shall not be exercised by the Company while it holds the share as a treasury share.

49D. Treasury shares may be transferred, cancelled (without the need to comply with section 53 of the Act) and distributed as dividends by the Company in accordance with section 47A of the Act.

Power to reduce capital

50. The Company may by special resolution reduce its share capital or any other undistributable reserve in any manner subject to any requirements and consents required by law. Without prejudice to the generality of the foregoing, upon cancellation of any share purchased or otherwise acquired by the Company pursuant to these presents and the Act, the number of issued shares of the Company shall be diminished by the number of shares so cancelled, and where any such cancelled shares were purchased or acquired out of the capital of the Company, the amount of the share capital of the Company shall be reduced accordingly.

STOCK

Power to convert into stock

51. The Company may by ordinary resolution convert any or all it's paid up shares into stock and may from time to time by resolution reconvert any stock into paid up shares of any denomination.

Transfer of stock

52. The holders of stock may transfer the same or any part thereof in the same manner and subject to these Articles as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances admit but no stock shall be transferable except in such units as the Directors may from time to time determine.

Rights of stockholders

53. The holders of stock shall, according to the number of stock units held by them, have the same rights, privileges and advantages as regards dividend, return of capital, voting and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except as regards dividend and return of capital and the assets on winding up) shall be conferred by any such number of stock units which would not if existing in shares have conferred that privilege or advantage, and no such conversion shall affect or prejudice any preference or other special privileges attached to the shares so converted.

Interpretation

54. All provisions of these Articles applicable to paid up shares shall apply to stock and the words "share" and "shareholder" or similar expression herein shall include "stock" or "stockholder".

GENERAL MEETINGS

Annual General Meeting

55. (1) Subject to the provisions of the Act, the Company shall in each year hold a general meeting in addition to any other meetings in that year to be called the Annual General Meeting, and not more than fifteen (15) months shall elapse between the date of one (1) Annual General Meeting of the Company and that of the next. Subject to the listing rules of the Exchange, the Annual General Meeting shall be held at such time and place as the Directors shall determine. The interval between the close of a financial year of the Company and the date of the Company's annual general meeting shall not exceed such period as may be prescribed by the Exchange from time to time.

Extraordinary General Meetings

(2) All general meetings other than Annual General Meetings shall be called Extraordinary General Meetings. All general meetings shall be held in Singapore at such location as may be determined by the Directors, unless prohibited by relevant laws and regulations in the jurisdiction of its incorporation, or unless such requirement is waived by the Exchange.

Calling of Extraordinary General Meetings

56. The Directors may, whenever they think fit, convene an Extraordinary General Meeting and Extraordinary General Meetings. If at any time there are not sufficient Directors capable of acting to form a quorum at a meeting of Directors, any Director may convene an Extraordinary General Meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

NOTICE OF GENERAL MEETINGS

Notice of meetings

57. (1) Subject to the provisions of the Act as to the calling of meetings at short notice, at least fourteen (14) clear days' notice in writing of every general meeting shall be given in the manner hereinafter mentioned to all members and such persons (including the auditors) as are under the provisions herein contained entitled to receive notice from the Company and at least fourteen (14) days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the Exchange and any other stock exchange on which the Company is listed. Where notices contain special resolutions, they must be given to members and such persons entitled to receive the notice at least twenty-one (21) clear days before the general meeting and at least twenty-one (21) days' notice of every such meeting shall be given by advertisement in the daily press and in writing to the Exchange and any other stock exchange on which the Company is listed. Provided that a general meeting notwithstanding that it has been called by a shorter notice than that specified above shall be deemed to have been duly called if it is so agreed:

(i) in the case of an Annual General Meeting by all the members entitled to attend and vote thereat; and

(ii) in the case of an Extraordinary General Meeting by a majority in number of the members having a right to attend and vote thereat, being a majority together holding not less than 95 per cent of the total voting rights of all members having a right to vote at that meeting.

The accidental omission to give notice to, or the non-receipt by any person entitled thereto shall not invalidate the proceedings at any general meeting.

Contents of notice

(2) Every notice calling a general meeting shall specify the place, day and hour of the general meeting and there shall appear with reasonable prominence in every such notice a statement that a Member entitled to attend and vote is entitled to appoint a proxy to attend and to vote instead of him and that a proxy need not be a Member of the Company.

Notice of Annual General Meeting

(3) In the case of an Annual General Meeting, the notice shall also specify the meeting as such.

Nature of special business to be specified

(4) In the case of any general meeting at which business other than routine business is to be transacted (special business), the notice shall specify the general nature of the special business, and if any resolution is to be proposed as a special resolution or as requiring special notice, the notice shall contain a statement to that effect.

Special business

58. Routine business shall mean and include only business transacted at an Annual General Meeting of the following classes, that is to say:

(i) declaring dividends;

(ii) receiving and adopting the accounts, the reports of the Directors and auditors and other documents required to be attached or annexed to the accounts;

(iii) appointing or re-appointing Directors to fill vacancies arising at the meeting on retirement whether by rotation or otherwise;

(iv) re-appointing the retiring auditors (unless they were last appointed otherwise than by the Company in general meeting);

(v) fixing the remuneration of the auditors or determining the manner in which such remuneration is to be fixed; and

(vi) fixing the remuneration of the Directors proposed to be paid under Article 85.

Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business.

PROCEEDINGS AT GENERAL MEETINGS

Quorum

59. No business shall be transacted at any general meeting unless a quorum is present at the time the meeting proceeds to business. Save as herein otherwise provided, two (2) Members present in person shall form a quorum. For the purpose of this Article, "Member" includes a person attending by proxy or by attorney or by a corporate representative in the case of a corporation which has appointed a corporate representative. Provided that (i) a proxy representing more than one (1) Member shall only count as one (1) Member for the purpose of determining the quorum; and (ii) where a Member is represented by more than one (1) proxy such proxies shall count as only one (1) Member for the purpose of determining the quorum.

Adjournment if quorum not present

60. If within half an hour from the time appointed for the general meeting a quorum is not present, the general meeting if convened on the requisition of Members shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and place, or to such other day and at such other time and place as the Directors, subject to the listing rules of the Exchange, may determine, and if at such adjourned general meeting a quorum is not present within half an hour from the time appointed for holding the general meeting, the general meeting shall be dissolved.

Resolutions in writing

61. Subject to the Act, a resolution in writing signed by every Member of the Company entitled to vote or being a corporation by its duly authorised representative shall have the same effect and validity as an ordinary resolution of the Company passed at a general meeting duly convened, held and constituted, and may consist of several documents in the like form, each signed by one (1) or more of such Members.

Chairman

62. The Chairman of the Board of Directors or, in his absence, the Deputy Chairman (if any) shall preside as Chairman at every general meeting. If there is no such Chairman or Deputy Chairman or if at any general meeting he is not present within fifteen minutes after the time appointed for holding the general meeting or is unwilling to act, the Directors present shall choose a Director amongst them to be Chairman of the general meeting or, if no Director is present or if all the Directors present are unwilling to take the Chair, or otherwise fail to choose a Director amongst them to be Chairman of the meeting, the Members present shall choose a Member present to be Chairman.

Adjournment

63. The Chairman may, with the consent of any general meeting at which a quorum is present (and shall if so directed by the general meeting), adjourn the general meeting from time to time and from place to place, but no business shall be transacted at any adjourned general meeting except business which might lawfully have been transacted at the general meeting from which the adjournment took place. When a general meeting is adjourned for fourteen (14) days or more, notice of the adjourned general meeting shall be given as in the case of the original general meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned general meeting.

Method of voting

64. At any general meeting a resolution put to the vote of the general meeting shall be decided on a show of hands unless, a poll is required by the listing rules of the Exchange, or subject to Article 68, a poll is (before or on the declaration of the result of the show of hands) demanded:

(i) by the Chairman of the general meeting; or

(ii) by at least two (2) Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative and entitled to vote thereat; or

(iii) by any Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing not less than ten per cent (10%) of the total voting rights of all the Members having the right to vote at the general meeting; or

(iv) by a Member or Members present in person or by proxy (where a Member has appointed more than one (1) proxy, any one (1) of such proxies may represent that Member) or attorney or in the case of a corporation by a representative or any number or combination of such Members, holding or representing shares in the Company conferring a right to vote at the general meeting being shares on which an aggregate sum has been paid up equal to not less than ten per cent (10%) of the total sum paid up on all the shares of the Company (excluding treasury shares) conferring that right.

Provided always that no poll shall be demanded on the election of a Chairman or on a question of adjournment, unless otherwise required by the listing rules of the Exchange. Unless voting by way of poll is required by the listing rules of the Exchange or a poll is so demanded (and the demand is not withdrawn) a declaration by the Chairman that a resolution has been carried or carried unanimously or by a particular majority or lost and an entry to that effect in the minute book shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. A demand for a poll may be withdrawn only with the approval of the meeting.

Method of taking a poll

65. If a poll is required by the listing rules of the Exchange or is duly demanded (and the demand is not withdrawn), it shall be taken in such manner (including electronically, the use of ballot or voting papers or tickets) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the general meeting at which the poll was required by the listing rules of the Exchange or was demanded. The Chairman may, and if so required under the listing rules of the Exchange or if so requested shall, appoint at least one scrutineer who shall be independent of the persons undertaking the polling process and may adjourn the general meeting to some place and time fixed by him for the purpose of declaring the result of the poll. Where the appointed scrutineer is interested in any of the resolutions to be passed at the General Meeting, it shall refrain from acting as the scrutineer for such resolutions. If and when a scrutineer is appointed, the Chairman of the general meeting shall ensure that the scrutineer properly exercises his duties as a scrutineer including and not limited to ensuring that satisfactory procedures of the voting process are in place before the general meeting and directing and supervising the count of the votes cast through proxy and in person, and such other duties as may be prescribed from time to time by the listing rules of the Exchange.

Votes counted in error

66. If any votes are counted which ought not to have been counted or might have been rejected, the error shall not vitiate the result of the voting unless it is pointed out at the same general meeting or at any adjournment thereof, and not in that case unless it shall in the opinion of the Chairman be of sufficient magnitude.

Chairman's casting vote

67. Subject to the Act and the requirements of the Exchange, in the case of equality of votes, whether on a show of hands or on a poll as aforesaid, the Chairman of the general meeting at which the show of hands or a poll as aforesaid takes place shall be entitled to a second or casting vote in addition to the votes to which he may be entitled as a Member or as proxy of a Member.

Time for taking a poll

68. If a poll is required by the listing rules of the Exchange or is demanded as aforesaid on any question, it shall be taken either immediately or at such subsequent time (not being more than thirty days from the date of the general meeting) and place as the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was required by the listing rules of the Exchange or was demanded. No notice need be given of a poll not taken immediately. In the case of any dispute as to the admission or rejection of a vote, the Chairman shall determine the same and such determination made in good faith shall be final and conclusive.

Continuance of business after demand for a poll

69. The demand for a poll shall not prevent the continuance of a general meeting for the transaction of any business, other than the question on which the poll has been demanded.

Meeting via Electronic Means

69A The Members may, if the Directors think fit, participate at a general meeting by telephone or video conference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear and, if applicable, see each other and such participation shall constitute presence in person at such meeting and Members (or their proxy or, in the case of a corporation, their respective corporate representatives) so participating shall be counted in the quorum for the meeting.

VOTES OF MEMBERS

Voting rights of Members

70. (1) Subject and without prejudice to any special privileges or restrictions as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company and to Article 5, each Member entitled to vote may vote in person or by proxy or attorney, and (in the case of a corporation) by a representative. A person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses in the same way.

(2) On a show of hands every Member who is present in person or by proxy or attorney, or in the case of a corporation by a representative, shall have one (1) vote provided that if a Member is represented by two (2) proxies, only one of the proxies as determined by their appointor shall vote on a show of hands and in the absence of such determination, only one of the proxies as determined by the Chairman (or by a person authorised by him) shall vote on a show of hands and on a poll, every Member who is present in person or by proxy, attorney or representative shall have one (1) vote for each share which he holds or represents.

(3) Notwithstanding anything contained in these Articles, a Depositor shall not be entitled to attend any general meeting and to speak and vote thereat unless his name is certified by the Depository to the Company as appearing on the Depository Register not later than forty-eight (48) hours before the time of the relevant general meeting (the "cut-off time") as a Depositor on whose behalf the Depository holds shares in the Company. For the purpose of determining the number of votes which a Depositor or his proxy may cast on a poll, the Depositor or his proxy shall be deemed to hold or represent that number of shares entered in the Depositor's Securities Account at the cut- off time as certified by the Depository to the Company, or where a Depositor has apportioned the balance standing to his Securities Account as at the cut-off time between two (2) proxies, to apportion the said number of shares between the two (2) proxies in the same proportion as specified by the Depositor in appointing the proxies; and accordingly no instrument appointing a proxy of a Depositor shall be rendered invalid merely by reason of any discrepancy between the number of shares standing to the credit of that Depositor's Securities Account as at the cut-off time, and the true balance standing to the Securities Account of a Depositor as at the time of the relevant general meeting, if the instrument is dealt with in such manner as aforesaid.

Voting rights of joint holders

71. Where there are joint holders of any share any one (1) of such persons may vote and be reckoned in a quorum at any meeting either personally or by proxy or by attorney or in the case of a corporation by a representative as if he were solely entitled thereto but if more than one (1) of such joint holders is so present at any meeting then the person present whose name stands first in the Register of Members or the Depository Register (as the case may be) in respect of such share shall alone be entitled to vote in respect thereof. Several executors or administrators of a deceased Member in whose name any share stands shall for the purpose of this Article be deemed joint holders thereof.

Voting rights of Members of unsound mind

72. If a Member be a lunatic, idiot or non-compos mentis, he may vote whether on a show of hands or on a poll by his committee, curator bonis or such other person as properly has the management of his estate and any such committee, curator bonis or other person may vote by proxy or attorney, provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office not less than forty-eight (48) hours before the time appointed for holding the meeting.

Right to vote

73. Subject to the provisions of these Articles, every Member either personally or by proxy or by attorney or in the case of a corporation by a representative shall be entitled to be present and to vote at any general meeting and to be reckoned in the quorum thereat in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid. In the event a member has appointed more than one (1) proxy, only one (1) proxy is counted in determining the quorum.

Objections

74. No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

Votes on a poll

75. On a poll votes may be given either personally or by proxy or by attorney or in the case of a corporation by its representative and a person entitled to more than one (1) vote need not use all his votes or cast all the votes he uses in the same way.

Appointment of proxies

76. (1) Unless otherwise provided by the Act, a Member may appoint not more than two (2) to attend and vote at the same general meeting.

(2) If the Member is a Depositor, the Company shall be entitled:

(i) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered in its Securities Account as at the cut-off time as certified by the Depository to the Company; and

(ii) to accept as validly cast by the proxy or proxies appointed by the Depositor on a poll that number of votes which corresponds to or is less than the aggregate number of shares entered in its Securities Account of that Depositor as at the cut-off time as certified by the Depository to the Company, whether that number is greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor.

(3) Where a Member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.

(4) Voting right(s) attached to any shares in respect of which a Member has not appointed a proxy may only be exercised at the relevant general meeting by the member personally or by his attorney, or in the case of a corporation by its representative.

(5) Where a Member appoints a proxy in respect of more shares than the shares standing to his name in the Register of Members or, in the case of a Depositor, standing to the credit of that Depositor's Securities Account as at the cut-off time as certified by the Depository to the Company, such proxy may not exercise any of the votes or rights of the shares not registered in the name of that Member in the Register of Members or standing to the credit of that Depositor's Securities Account as at the cut-off time, as the case may be.

(6) If the Chairman is appointed as proxy, he may authorise any other person to act as proxy in his stead. Where the Chairman has authorised another person to act as proxy, such other person shall be taken to represent all Members whom the Chairman represented as proxy.

(7) Where a person present at a general meeting represents by proxy, attorney or representative more than one (1) Member on a show of hands:

(i) the person is entitled to one (1) vote only despite the number of Members the person represents; and

(ii) that vote will be taken as having been cast for all the Members the person represents; and

(iii) if the person has been appointed as a proxy under two (2) or more instruments that specify different ways to vote on a resolution, the person may not vote as a proxy on a show of hands, however, if the person is a Member, the person may vote on a show of hands without regard to the proxies the person holds.

Proxy need not be a Member

77. A proxy or attorney need not be a Member, and shall be entitled to vote on a show of hands on any question at any general meeting.

Instrument appointing a proxy

78. (1) Any instrument appointing a proxy shall be in writing in the common form or any other form approved by the Directors and:

(i) if the appointer is an individual, shall be (a) executed under the hand of the appointor or his attorney duly authorised in writing if the instrument of proxy is delivered personally or sent by post; or (b) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication;

(ii) if the appointor is a corporation, shall be either (a) executed under seal or under the hand of its attorney duly authorised if the instrument of proxy is delivered personally or sent by post; or (b) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication,

and the Company shall accept as valid in all respects the form of proxy approved by the Directors for use at the date relevant to the general meeting in question.

(2) An instrument of proxy shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointer to move any resolution or amendment thereto and to speak at the meeting. Unless otherwise instructed, a proxy or an attorney shall vote as he thinks fit. The signature on an instrument appointing a proxy need not be witnessed.

(3) A member who has deposited an instrument appointing any number of proxies to vote on his behalf at a General Meeting shall not be precluded from attending, speaking and voting in person at that General Meeting. Any such appointment of all the proxies concerned shall be deemed to be revoked upon the attendance of the member appointing the proxy/proxies at the relevant General Meeting.

To be left at Company's office

79. The instrument appointing a proxy, together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the original instrument of proxy and (i) if sent personally or by post, must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty- eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used failing which the instrument may be treated as invalid and (ii) if submitted by electronic communication, must be received through such means as may be specified for that purpose or by way of note or in any document accompanying the notice convening the General Meeting failing which the instrument may be treated as invalid. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, provided that an instrument of proxy relating to more than one (1) meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

Intervening death or insanity of principal not to revoke proxy

80. A vote given in accordance with the terms of an instrument of proxy (which for the purposes of these Articles shall also include a power of attorney) shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy, or of the authority under which the proxy was executed or the transfer of the share in respect of which the proxy is given, provided that no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office (or such other place as may be specified for the deposit of instruments appointing proxies) before the commencement of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which the proxy is used.

80A. Subject to these Articles and the Act, the Directors may, at their sole discretion, approve and implement, subject to such security measures as may be deemed necessary or expedient, such voting methods to allow members who are unable to vote in person at any general meeting the option to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

Corporations acting by representatives

81. Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members and the persons so authorised shall be entitled to exercise the same powers on behalf of the corporation as the corporation could exercise if it were an individual Member of the Company. The Company shall be entitled to treat an original certificate under the seal of the corporation as conclusive evidence of the appointment or revocation of appointment of a representative under this Article.

Minority Members' Right

81A. Any Member or holder of a debenture of the Company may apply to the court for an order on the ground:-

(a) that the affairs of the Company are being conducted or the powers of the Directors are being exercised in a manner oppressive to one or more of the Members or holders of debentures including himself or in disregard of his or their interests as Members, shareholders or holders of debentures of the company; or

(b) that some act of the Company has been done or is threatened or that some resolution of the Members, holders of debentures or any class has been passed or is proposed which unfairly discriminates against or is otherwise prejudicial to one or more of the Members or holders of debentures (including himself).

DIRECTORS

Number of Directors

82. The number of the Directors, all of whom shall be natural persons, shall not be less than two (2).

Appointment and removal of Directors

83. The Company in general meeting may, subject to the provisions of these Articles, from time to time remove any Director before the expiration of his period of office (notwithstanding anything in these Articles or in any agreement between the Company and such Director) and appoint another person in place of a Director so removed, and may increase or reduce the number of Directors, and may alter their share qualifications. Until otherwise determined by a general meeting, there shall be no maximum number.

Qualifications

84. A Director need not be a Member and shall not be required to hold any share qualification in the Company and shall be entitled to attend and speak at general meetings but subject to the provisions of the Act he shall not be of or over the age of seventy (70) years at the date of his appointment.

Fees

85. (1) The fees of the Directors shall be determined from time to time by the Company in general meetings and such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting where notice of the proposed increase shall have been given in the notice convening the meeting. Such fees shall be divided among the Directors in such proportions and manner as they may agree and in default of agreement equally, except that in the latter event any Director who shall hold office for part only of the period in respect of which such fee is payable shall be entitled only to rank in such division for the proportion of fee related to the period during which he has held office.

Extra remuneration

(2) Any Director who is appointed to any executive office or serves on any committee or who otherwise performs or renders services, which, in the opinion of the Directors, are outside his ordinary duties as a Director, may be paid such extra remuneration as the Directors may determine, subject however as is hereinafter provided in this Article.

Remuneration of Director

(3) The fees (including any remuneration under Article 85(2) above) in the case of a Director other than an Executive Director shall be payable by a fixed sum and shall not at any time be by commission on or percentage of the profits or turnover, and no Director whether an Executive Director or otherwise shall be remunerated by a commission on or percentage of turnover.

Expenses

86. The Directors shall be entitled to be repaid all travelling or such reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

Pensions to Directors and dependants

87. Subject to the Act, the Directors on behalf of the Company may pay a gratuity or other retirement, superannuation, death or disability benefits to any Director or former Director who had held any other salaried office or place of profit with the Company or to his widow or dependants or relations or connections or to any persons in respect of and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

Benefits for employees

88. The Directors may procure the establishment and maintenance of or participate in or contribute to any non- contributory or contributory pension or superannuation fund or life assurance scheme or any other scheme whatsoever for the benefit of and pay, provide for or procure the grant of donations, gratuities, pensions, allowances, benefits or emoluments to any persons (including Directors and other officers) who are or shall have been at any time in the employment or service of the Company or of the predecessors in business of the Company or of any subsidiary company, and the wives, widows, families or dependants of any such persons. The Directors may also procure the establishment and subsidy of or subscription and support to any institutions, associations, clubs, funds or trusts calculated to be for the benefit of any such persons as aforesaid or otherwise to advance the interests and well-being of the Company or of any such other company as aforesaid or of its Members and payment for or towards the insurance of any such persons as aforesaid, and subscriptions or guarantees of money for charitable or benevolent objects or for any exhibition or for any public, general or useful object.

Powers of Directors to contract with Company

89. (1) No Director or intending Director shall be disqualified by his office from contracting or entering into any arrangement with the Company either as vendor, purchaser or otherwise nor shall such contract or arrangement or any contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be avoided nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or of the fiduciary relation thereby established but every Director shall observe the provisions of Section 91 of the Act relating to the disclosure of the interests of the Directors in transactions or proposed transactions with the Company or of any office or property held by a Director which might create duties or interests in conflict with his duties or interests as a Director and any transactions to be entered into by or on behalf of the Company in which any Director shall be in any way interested shall be subject to any requirements that may be imposed by the Exchange. No Director shall vote in respect of any contract, arrangement or transaction in which he has directly or indirectly a personal material interest as aforesaid or in respect of any allotment of shares in or debentures of the Company to him and if he does so vote his vote shall not be counted.

Relaxation of restriction on voting

(2) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting where he or any other Director is appointed to hold any office or place of profit under the Company, or where the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company, or where the Directors resolve to enter into or make any arrangements with him or on his behalf pursuant to these Articles or where the terms of any such appointment or arrangements as hereinbefore mentioned are considered, and he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof.

Ratification by general meeting

(3) The provisions of this Article may at any time be suspended or relaxed to any extent and either generally or in respect of any particular contract, arrangement or transaction by the Company in general meeting, and any particular contract, arrangement or transaction carried out in contravention of this Article may be ratified by ordinary resolution of the Company, subject to the Act and any applicable laws, provided that a Director whose action is being ratified by this ordinary resolution shall refrain from voting on this ordinary resolution as a shareholder at that general meeting.

Loans to Directors

(4) The Company shall not make any loan to a Director or a director of a subsidiary (including loan to the spouse or natural, step or adopted children of such Director), and from giving a guarantee or providing any security in connection with such a loan, except in the following circumstances.

(i) subject to, *inter alia*, the approval of the Company in a general meeting, the provision of funds to such a director to meet expenditure incurred or to be incurred for the purposes of the Company or for the purpose of enabling him properly to perform his duties as an officer of the Company;

(ii) subject to, *inter alia*, the approval of the Company in a general meeting, a loan to a Director in full time employment of the Company or a related company for the purpose of purchasing or otherwise acquiring a home occupied or to be occupied by that Director; however, not more than one such loan may be outstanding from the director at any one time;

(iii) any loan to a Director in full time employment of the Company or a related company pursuant to an employee loan scheme approved in a general meeting, provided the loan is in accordance with that scheme; and

(iv) a loan made in the ordinary course of business by a Company whose ordinary business includes the lending of money or the giving of guarantees in connection with loans made by other persons if the activities of that company are regulated by any written law relating to banking, finance companies or insurance or are subject to supervision by the Authority.

(5) The Company shall not make any loans to connected persons or enter into any guarantee or providing any security in connection with a loan made to connected persons by a third- party.

For purpose of this Article 89(5), “connected persons” include companies in which our Director(s), individually or collectively, have an interest in 20.0% or more, but does not include subsidiaries of the Company.

Holding of office in other companies

90. (1) A Director may hold any other office or place of profit under the Company (except that of auditor) and he or any firm of which he is a member may act in a professional capacity for the Company in conjunction with his office of Director, and on such terms as to remuneration and otherwise as the Directors shall determine. A Director of the Company may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or in which the Company may be interested as vendor, purchaser, shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a director or officer of, or from his interest in, such other company unless the Company otherwise directs.

(2) The appointment of any Director to any executive office shall not automatically determine if he ceases to be a Director, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

Exercise of voting power

(3) The Directors may exercise the voting power conferred by the shares in any company held or owned by the Company in such manner and in all respects as the Directors think fit in the interests of the Company (including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors of such company or voting or providing for the payment of remuneration to the directors of such company) and any such Director of the Company may vote in favour of the exercise of such voting powers in the manner aforesaid notwithstanding that he may be or be about to be appointed a director of such other company.

CHIEF EXECUTIVE OFFICER(S)/MANAGING DIRECTOR(S)

Appointment of Chief Executive Officers/ Managing Directors

91. The Directors may from time to time appoint one (1) or more of their body or such other person(s) to the office of Chief Executive Officer(s)/Managing Director(s) of the Company (or any equivalent appointment(s) howsoever described) for such period and on such terms as they think fit, and may from time to time (subject to the provisions of any contract between him or them and the Company) remove or dismiss him or them from office and appoint another or others in his or their places. Where a Chief Executive Officer/Managing Director (or a person holding an equivalent appointment) is appointed for a fixed term, such term shall not exceed five (5) years.

Chief Executive Officer/ Managing Director to be subject to retirement by rotation

92. Any Director who is appointed as a Chief Executive Officer/Managing Director (or an equivalent appointment) shall be subject to the same provisions as to retirement by rotation, resignation and removal as the other Directors of the Company. The appointment of any Director to the office of Chief Executive Officer/Managing Director (or any Director holding an equivalent appointment) shall not automatically determine if he ceases from any cause to be a Director, unless the contract or resolution under which he holds office shall expressly state otherwise, in which event such determination shall be without prejudice to any claim for damages for breach of any contract of service between him and the Company.

Remuneration of Chief Executive Officer/ Managing Director

93. The remuneration of a Chief Executive Officer/Managing Director (or any Director holding an equivalent appointment) shall from time to time be fixed by the Directors and may subject to these Articles be by way of salary or commission or participating in profits or by any or all of these modes but he shall not under any circumstances be remunerated by a commission on or a percentage of turnover.

Powers of Chief Executive Officer/ Managing Director

94. A Chief Executive Officer/Managing Director (or any Director holding an equivalent appointment) shall at all times be subject to the control of the Directors but subject thereto the Directors may from time to time entrust to and confer upon a Chief Executive Officer/Managing Director (or any Director holding an equivalent appointment) for the time being such of the powers exercisable under these Articles by the Directors as they may think fit and may confer such powers for such time and to be exercised on such terms and conditions and with such restrictions as they think expedient and they may confer such powers either collaterally with or to the exclusion of and in substitution for all or any of the powers of the Directors in that behalf and may from time to time revoke, withdraw, alter or vary all or any of such powers.

VACATION OF OFFICE OF DIRECTOR/REMOVAL AND RESIGNATION

Vacation of office of Director

95. (1) Subject as herein otherwise provided or to the terms of any subsisting agreement, the office of a Director shall be vacated on any one of the following events, namely:

(i) if he is prohibited by law from acting as a Director;

(ii) if he shall become disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds;

(iii) if he ceases to be a Director by virtue of any of the provisions of the Act;

(iv) if he resigns by writing under his hand left at the Office;

(v) if he is declared a bankrupt during his term of office;

(vi) if he should be found lunatic or becomes of unsound mind during his term of office;

(vii) if he is removed by a resolution of the Company in general meeting pursuant to these Articles; or

(viii) subject to the provisions of the Act, at the conclusion of the Annual General Meeting commencing next after he attains the age of seventy (70) years.

Removal of Directors

(2) In accordance with the provisions of Section 94B of the Act, the Company may by ordinary resolution of which special notice has been given remove any Director before the expiration of his period of office, notwithstanding any provision of these Articles or of any agreement between the Company and such Director but without prejudice to any claim he may have for damages for breach of any such agreement. The Company in general meeting may appoint another person in place of a Director so removed from office and any person so appointed shall be subject to retirement by rotation at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. In default of such appointment the vacancy so arising may be filled by the Directors as a casual vacancy.

Director to resign

96. Unless the Company agrees otherwise, a Director who is appointed by the Company as director of any related or associated company of the Company shall resign (without compensation whatsoever) as such director if he is removed as Director of the Company or if his office as Director is vacated (notwithstanding any agreement between the Director and the Company or any such related or associated company). Unless the Company agrees otherwise, an employee of the Company who is appointed director of any related or associated company of the Company shall resign (without compensation whatsoever) as such director if he ceases for any reason whatsoever to be an employee of the Company.

ROTATION OF DIRECTORS

Retirement of Directors by rotation

97. Subject to these Articles and to the Act, at each Annual General Meeting at least one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation. Provided that all Directors shall retire from office at least once every three (3) years.

Selection of Directors to retire

98. The Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment or have been in office for the three (3) years since their last election. However as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director shall be eligible for re-election.

Deemed re-elected

99. The Company at the meeting at which a Director retires under any provision of these Articles may by ordinary resolution fill up the vacated office by electing a person thereto. In default the retiring Director shall be deemed to have been re-elected, unless:

(i) at such meeting it is expressly resolved not to fill up such vacated office or a resolution for the re-election of such Director is put to the meeting and lost; or

(ii) such Director is disqualified under the Act from holding office as a Director or has given notice in writing to the Company that he is unwilling to be re-elected;

(iii) such Director is disqualified from acting as a director in any jurisdiction for reasons other than on technical grounds; or

(iv) such Director has attained any retiring age applicable to him as a Director.

Notice of intention to appoint Director

100. No person, other than a Director retiring at the meeting, shall, unless recommended by the Directors for re-election, be eligible for appointment as a Director at any general meeting unless not less than eleven (11) clear days before the day appointed for the meeting there shall have been left at the Office notice in writing signed by some Member duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing duly signed by the nominee giving his consent to the nomination and signifying his candidature for the office or the intention of such Member to propose him. Provided that in the case of a person recommended by the Directors for election nine (9) clear days' notice only shall be necessary and notice of each and every candidate for election shall be served on all Members at least seven (7) clear days prior to the meeting at which the election is to take place.

Directors' power to fill casual vacancies and to appoint additional Directors

101. The Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director but the total number of Directors shall not at any time exceed the maximum number (if any) fixed by these Articles. Any Director so appointed shall hold office only until the next Annual General Meeting and shall then be eligible for re-election but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

ALTERNATE DIRECTORS

Alternate Directors

102. (1) Any Director of the Company may at any time appoint any person who is not a Director or alternate Director and who is approved by a majority of his co-Directors to be his alternate Director for such period as he thinks fit and may at any time remove any such alternate Director from office. An alternate Director so appointed shall be entitled to receive from the Company such proportion (if any) of the remuneration otherwise payable to his appointor as such appointor may by notice in writing to the Company from time to time direct, but save as aforesaid he shall not in respect of such appointment be entitled to receive any remuneration from the Company. Any fee paid to an alternate Director shall be deducted from the remuneration otherwise payable to his appointor.

(2) An alternate Director shall be entitled to receive notices of all meetings of the Directors and to attend and vote as a Director at such meetings at which the Director appointing him is not personally present and generally to perform all functions of his appointor as a Director in his absence.

(3) An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director otherwise than by retiring and being re-elected at the same meeting.

(4) All appointments and removals of alternate Directors shall be effected in writing under the hand of the Director making or terminating such appointment left at the Office.

(5) No person shall be appointed the alternate Director for more than one (1) Director. No Director may act as an alternate Director.

(6) An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being under these Articles but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the directors attended by him at which he is entitled to vote. Provided that he shall not constitute a quorum if he is the only person present at the meeting notwithstanding that he may be an alternate to more than one director.

PROCEEDINGS OF DIRECTORS

Meetings of Directors

103. (1) The Directors may meet together for the despatch of business, adjourn or otherwise regulate their meetings as they think fit. Questions arising at any meeting shall be determined by a majority of votes and in case of an equality of votes the Chairman of the meeting shall have a second or casting vote provided always that where two (2) Directors form a quorum, the Chairman of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue, shall not have a second or casting vote.

Who may summon meeting of Directors

(2) A Director may, and the Secretary on the requisition of a Director shall, at any time summon a meeting of the Directors by notice in writing given to each Director but it shall not be necessary to give notice of a meeting of directors to any director or alternate director for the time being absent from Malaysia or Singapore.

(3) The accidental omission to give to any Director, or the non-receipt by any Director of, a notice of a meeting of Directors shall not invalidate the proceedings at that meeting.

Meetings via electronic means

(4) Directors may participate in a meeting of the Board of Directors by means of a conference telephone, videoconferencing, audio visual, or other electronic means of communication by which all persons participating in the meeting can hear one another contemporaneously, without having to be in the physical presence of each other, and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting. A Director participating in a meeting in this way may also be taken into account in ascertaining the presence of a quorum at the meeting. The signature of a Director by facsimile, electronic mail, telex, cable or telegram or any form of electronic communication approved by the Directors for such purpose from time to time incorporating, if the Directors deem necessary, the use of security and/or identification procedures and devices approved by the Directors, on any document confirming his attendance shall be sufficient evidence of his presence at the meeting. The minutes of such a meeting signed by the Chairman shall be sufficient evidence of any resolution of any meeting conducted in the manner as aforesaid. Unless otherwise agreed by the Directors, such a meeting shall be deemed to take place where the largest group of Directors present for the purpose of the meeting is assembled or, if there is no such group, where the Chairman of the meeting is present.

(5) In the case of a meeting which is not held in person, the fact that a Director is taking part in the meeting must be made known to all the other Directors taking part, and no Director may disconnect or cease to take part in the meeting unless he makes known to all other Directors taking part that he is ceasing to take part in the meeting.

Quorum

104. Unless otherwise determined by the Directors, the quorum necessary for the transaction of business of the Directors shall be two (2). A meeting of the Directors at which a quorum is present at the time the meeting proceeds to business shall be competent to exercise all the powers and discretions for the time being exercisable by the Directors.

Proceedings in case of vacancies

105. The Directors may act notwithstanding any vacancies but if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles as the necessary quorum of Directors, the remaining Directors or Director may, except in an emergency, act only for the purpose of increasing the number of Directors to such minimum number or of summoning general meetings of the Company. If there are no Directors or Director able or willing to act, then any two (2) Members may summon a general meeting for the purpose of appointing Directors.

Chairman of Directors

106. The Directors may from time to time elect a Chairman and, if desired, a Deputy Chairman and determine the period for which he is or they are to hold office. The Deputy Chairman shall perform the duties of the Chairman during the Chairman's absence. The Chairman or, in his absence, the Deputy Chairman shall preside as Chairman at meetings of the Directors but if no such Chairman or Deputy Chairman is elected or if at any meeting the Chairman and the Deputy Chairman are not present within five (5) minutes after the time appointed for holding the same, the Directors present shall choose one (1) of their number to be Chairman of such meeting. In case of an equality of votes the Chairman of the meeting shall have a second or casting vote except that the Chairman of a meeting at which only two Directors are present to form a quorum or at which only two Directors are competent to vote on the question at issue shall not have a second or casting vote.

Resolutions in writing

107. A resolution in writing signed by a majority of the Directors for the time being (who are not prohibited by the law or these Articles from voting on such resolutions) shall be as effective as a resolution passed at a meeting of the Directors duly convened and held, and may consist of several documents in the like form each signed by one (1) or more Directors. The expressions, ***in writing*** and ***signed*** include approval by any such Director by letter, facsimile, electronic mail, telex, cable or telegram or any form of electronic communication approved by the Directors for such purpose from time to time incorporating, if the Directors deem necessary, the use of security and/or identification procedures and devices approved by the Directors.

Power to appoint committees

108. The Directors shall appoint an audit committee. In addition, the Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit. Any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on them by the Directors.

Proceedings at committee meetings

109. A committee may elect a Chairman of its meetings. If no such chairman is elected, or if at any meeting the Chairman is not present within five (5) minutes after the time appointed for holding the same, the members present may choose one (1) of their number to be Chairman of the meeting.

Meetings of committees

110. A committee may meet and adjourn as its members think proper. Questions arising at any meeting shall be determined by a majority of votes of the members present, and in case of an equality of votes, the Chairman shall have a second or casting vote.

Validity of acts of Directors in spite of some formal defect

111. All acts done by any meeting of Directors or a committee of Directors or by any person acting as Director shall as regards all persons dealing in good faith with the Company, notwithstanding that there was some defect in the appointment of any such Director or person acting as aforesaid or that they or any of them were disqualified or had vacated office or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director and had been entitled to vote.

GENERAL POWERS OF DIRECTORS

General power of Directors to manage Company's business

112. The management of the business of the Company shall be vested in the Directors who (in addition to the powers and authorities by these Articles or otherwise expressly conferred upon them) may exercise all such powers and do all such acts and things as may be exercised or done by the Company and are not hereby or by the Act or these Articles expressly directed or required to be exercised or done by the Company in general meeting. Provided that the Directors shall not carry into effect any proposals for selling or disposing of the whole or substantially the whole of the Company's undertaking unless such proposals have been approved by the Company in general meeting. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Directors by any other Article.

Power to establish local boards, etc.

113. The Directors may establish any local boards or agencies for managing any affairs of the Company, either in Singapore or elsewhere, and may appoint any persons to be members of such local boards or any managers or agents, and may fix their remuneration and may delegate to any local board, manager or agent any of the powers, authorities and discretions vested in the Directors, with power to sub-delegate, and may authorise the members of any local board or any of them to fill any vacancies therein and to act notwithstanding vacancies, and any such appointment or delegation may be made upon such terms and subject to such conditions as the Directors may think fit, and the Directors may remove any person so appointed, and may annul or vary any such delegation, but no person acting in good faith and without notice of any such annulment or variation shall be affected thereby.

Power to appoint attorneys

114. The Directors may from time to time by power of attorney under the seal appoint any company, firm or person or any fluctuating body of persons whether nominated directly or indirectly by the Directors to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with such attorney as the Directors may think fit and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him.

Power to keep a branch register

115. The Company or the Directors on behalf of the Company may in exercise of the powers in that behalf conferred by the Act cause to be kept a Branch Register or Registers of Members and the Directors may (subject to the provisions of the Act) make and vary such regulations as they think fit in respect of the keeping of any such Registers.

Signatures of cheques and bills

116. All cheques, promissory notes, drafts, bills of exchange and other negotiable or transferable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors shall from time to time by resolution determine.

BORROWING POWERS

Directors' borrowing powers

117. The Directors may at their discretion exercise all the powers of the Company to borrow or otherwise raise money, to mortgage, charge or hypothecate all or any property or business of the Company including any uncalled or called but unpaid capital and to issue debentures or give any other security for any debt or obligation of the Company or of any third party.

SECRETARY

Secretary

118. The Secretary or Secretaries shall, and a Deputy or Assistant Secretary or Secretaries may, be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit, and any Secretary, Deputy or Assistant Secretary so appointed may be removed by them, but without prejudice to any claim for damages for breach of any contract of service between any of them and the Company. The Company shall have at least one (1) Resident Secretary who is an officer of a Labuan trust company approved by the Labuan Financial Services Authority, or a Labuan company, or a domestic company wholly owned by the Labuan trust company. If thought fit, two or more persons may be appointed as Joint Secretaries. The appointment and the duties of Secretary or Joint Secretaries shall not conflict with the provisions of the Act.

SEAL

Use of Seal

119. (1) The Directors shall provide for the safe custody of the Seal, which shall only be used by the authority of the Directors or a committee of Directors authorised by the Directors in that behalf, and every instrument to which the Seal is affixed shall (subject to the provisions of these Articles as to certificates for shares) be signed autographically by two (2) Directors, or by a Director and by the Secretary or some other person appointed by the Directors in place of the Secretary for the purpose.

Use of official seal

(2) The Company may exercise the powers conferred by the Act with regard to having an official seal for use abroad, and such powers shall be vested in the Directors.

AUTHENTICATION OF DOCUMENTS

Power to authenticate documents

120. Any Director or the Secretary or any person appointed by the Directors for the purpose shall have power to authenticate any documents affecting the constitution of the Company and any resolutions passed by the Company or the Directors, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts, and where any books, records, documents or accounts are elsewhere than at the Office, the local manager or other officer of the Company having the custody thereof shall be deemed to be a person appointed by the Directors as aforesaid.

Certified copies of resolution of the Directors

121. A document purporting to be a copy of a resolution of the Directors or an extract from the minutes of a meeting of Directors which is certified as such in accordance with the provisions of the last preceding Article shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such extract is a true and accurate record of a duly constituted meeting of the Directors. Any authentication or certification made pursuant to this Article or the last preceding Article may be made by any electronic or other means approved by the Directors from time to time for such purpose, incorporating, if the Directors deem necessary, the use of security procedures or devices approved by the Directors.

DIVIDENDS AND RESERVES

Payment of dividends

122. The Directors may, with the sanction of the Company, by ordinary resolution declare dividends but (without prejudice to the powers of the Company to pay interest on share capital as hereinbefore provided) no dividend shall be payable except out of the profits of the Company.

Apportionment of dividends

123. Subject to any rights or restrictions attached to any shares or class of shares and except as otherwise provided by the Act:

(i) all dividends in respect of shares must be paid in proportion to the number of shares held by a Member but where shares are partly paid all dividends must be apportioned and paid proportionately to the amounts paid or credited as paid on the partly paid shares; and

(ii) all dividends must be apportioned and paid proportionately to the amounts so paid or credited as paid during any portion or portions of the period in respect of which the dividend is paid.

For the purposes of this Article, an amount paid or credited as paid on a share in advance of a call is to be ignored.

Payment of preference and interim dividends

124. Without the need for sanction of the Company under Article 122, if, and so far as in the opinion of the Directors, the profits of the Company justify such payments, the Directors may pay fixed preferential dividends on any express class of shares carrying a fixed preferential dividend expressed to be payable on a fixed date on the half-yearly or other dates (if any) prescribed for the payment thereof by the terms of issue of the shares, and may also from time to time pay to the holders of any class of shares interim dividends thereon of such amounts and on such dates as they may think fit.

Dividends not to bear interest

125. No dividend or other moneys payable on or in respect of a share shall bear interest against the Company.

Deduction from dividend

126. The Directors may deduct from any dividend or other moneys payable to any Member on or in respect of a share all sums of money (if any) presently payable by him to the Company on account of calls or in connection therewith, or any other account which the Company is required by law to withhold or deduct.

Retention of dividends on shares subject to lien

127. The Directors may retain any dividend or other moneys payable on or in respect of a share on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

Retention of dividends on shares pending transmission

128. The Directors may retain the dividends payable on shares in respect of which any person is under these Articles, as to the transmission of shares, entitled to become a Member, or which any person under these Articles is entitled to transfer, until such person shall become a Member in respect of such shares or shall duly transfer the same.

Unclaimed dividends

129. (1) The payment by the Directors of any unclaimed dividends or other moneys payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. All dividends unclaimed after being declared may be invested or otherwise made use of by the Directors for the benefit of the Company and any dividend unclaimed after a period of six (6) years from the date of declaration of such dividend may be forfeited and if so shall revert to the Company but the Directors may at any time thereafter at their absolute discretion annul any such forfeiture and pay the dividend so forfeited to the person entitled thereto prior to the forfeiture. For the avoidance of doubt no Member shall be entitled to any interest, share of revenue or other benefit arising from any unclaimed dividends, howsoever and whatsoever. If the Depositor returns any such dividend or money to the Company, the relevant Depositor shall not have any right or claim in respect of such dividend or money against the Company if a period of six (6) years has elapsed from the date of the declaration of such dividend or the date on which such other money was first payable.

(2) A payment by the Company to the Depositor of any dividend or other money payable to a Depositor shall, to the extent of the payment made, discharge the Company from any liability to the Depositor in respect of that payment.

Payment of dividend in specie

130. The Company may, upon the recommendation of the Directors, by ordinary resolution direct payment of a dividend in whole or in part by the distribution of specific assets and in particular of paid up shares or debentures of any other company or in any one or more of such ways, and the Directors shall give effect to such Resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties and may vest any such specific assets in trustees as may seem expedient to the Directors.

Scrip dividend

131. (1) Whenever the Directors or the Company in general meeting have resolved or proposed that a dividend (including an interim, final, special or other dividend) be paid or declared on the ordinary share capital of the Company, the Directors may further resolve that Members entitled to such dividend be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of the dividend as the Directors may think fit. In such case, the following provisions shall apply:

(i) the basis of any such allotment shall be determined by the Directors;

(ii) the Directors shall determine the manner in which Members shall be entitled to elect to receive an allotment of ordinary shares credited as fully paid in lieu of cash in respect of the whole or such part of any dividend in respect of which the Directors shall have passed such a resolution as aforesaid, and the Directors may make such arrangements as to the giving of notice to Members, providing for forms of election for completion by Members (whether in respect of a particular dividend or dividends or generally), determining the procedure for making such election or revoking the same and the place at which and the latest date and time by which any forms of election or other documents by which elections are made or revoked must be lodged, and otherwise make all such arrangements and do all such things, as the Directors consider necessary or expedient in connection with the provisions of this Article;

(iii) the right of election may be exercised in respect of the whole of that portion of the dividend in respect of which the right of election has been accorded provided that the Directors may determine, either generally or in any specific case, that such right shall be exercisable in respect of the whole or any part of that portion;

(iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on ordinary shares in respect whereof the share election has been duly exercised (the "elected ordinary shares") and in lieu and in satisfaction thereof ordinary shares shall be allotted and credited as fully paid to the holders of the elected ordinary shares on the basis of allotment determined as aforesaid and for such purpose and notwithstanding the provisions of Article 135, the Directors shall (a) capitalise and apply the amount standing to the credit of any of the Company's reserve accounts or any sum standing to the credit of the profit and loss account or otherwise for distribution as the Directors may determine, such sum as may be required to pay up in full the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis or (b) apply the sum which would otherwise have been payable in cash to the holders of the elected ordinary shares towards payment of the appropriate number of ordinary shares for allotment and distribution to and among the holders of the elected ordinary shares on such basis.

(2) The ordinary shares allotted pursuant to the provisions of Article 131(1) shall rank pari passu in all respects with the ordinary shares then in issue save only as regards participation in the dividend which is the subject of the election referred to above (including the right to make the election referred to above) or any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneous with the payment or declaration of the dividend which is the subject of the election referred to above, unless the Directors shall otherwise specify.

The Directors may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of Article 131(1), with full power to make such provisions as they think fit in the case of shares becoming distributable in fractions (including, notwithstanding any provision to the contrary in these Articles, provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down, or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned).

(3) The Directors may, on any occasion when they resolve as provided in Article 131(1), determine that rights of election under that paragraph shall not be made available to the persons who are registered as holders of ordinary shares in the Register of Members or (as the case may be) in the Depository Register, or in respect of ordinary shares the transfer of which is registered, after such date as the Directors may fix subject to such exceptions as the Directors think fit, and in such event the provisions of this Article shall be read and construed subject to such determination.

(4) The Directors may, on any occasion when they resolve as provided in Article 131(1), further determine that no allotment of shares or rights of election for shares under that paragraph shall be made available or made to Members whose registered addresses entered in the Register of Members or (as the case may be) the Depository Register are outside Singapore or to such other Members or class of Members as the Directors may in their sole discretion decide and in such event the only entitlement of the Members aforesaid shall be to receive in cash the relevant dividend resolved or proposed to be paid or declared.

(5) Notwithstanding the foregoing provisions of this Article, if at any time after the Directors' resolution to apply the provisions of Article 131(1) in relation to any dividend but prior to the allotment of ordinary shares pursuant thereto, the Directors shall consider that by reason of any event or circumstance (whether arising before or after such resolution) or by reason of any matter whatsoever it is no longer expedient or appropriate to implement that proposal, the Directors may at their absolute discretion and without assigning any reason therefor, cancel the proposed application of Article 131(1).

Dividends payable by cheque

132. Any dividend or other moneys payable in cash on or in respect of a share may be paid by cheque or warrant sent through the post to the registered address of the Member or person entitled thereto or, if several persons are registered as joint holders of the share or are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and such address as such persons may by writing direct provided that where the Member is a Depositor, the payment by the Company to the Depository of any dividend payable to a Depositor shall to the extent of the payment discharge the Company from any further liability in respect of the payment. Every such cheque and warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and payment of the cheque if purporting to be endorsed or the receipt of any such person shall be a good discharge to the Company. Every such cheque and warrant shall be sent at the risk of the person entitled to the money represented thereby.

Effect of transfer

133. A transfer of shares shall not pass the right to any dividend declared on such shares before the registration of the transfer.

Power to carry profit to reserve

134. The Directors may from time to time set aside out of the profits of the Company and carry to reserve such sums as they think proper which, at the discretion of the Directors, shall be applicable for meeting contingencies or for the gradual liquidation of any debt or liability of the Company or for repairing or maintaining the works, plant and machinery of the Company or for special dividends or bonuses or for equalising dividends or for any other purpose to which the profits of the Company may properly be applied and pending such application may either be employed in the business of the Company or be invested. The Directors may divide the reserve into such special funds as they think fit and may consolidate into one fund, any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same to reserve, carry forward any profits which they may think it not prudent to divide.

CAPITALISATION OF PROFITS AND RESERVES

Power to capitalise profits

135. The Directors may, with the sanction of an ordinary resolution of the Company (including any ordinary resolution passed pursuant to Article 47(2):

(a) issue bonus shares for which no consideration is payable to the Company to the persons registered as holders of shares in the Register of Members or (as the case may be) the Depository Register at the close of business on:

(i) the date of the ordinary resolution (or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an ordinary resolution passed pursuant to Article 47(2)) such other date as may be determined by the Directors, in proportion to their then holdings of shares; and

(b) capitalise any sum standing to the credit of any of the Company's reserve accounts or other undistributable reserve or any sum standing to the credit of profit and loss account by appropriating such sum to the persons registered as holders of shares in the Register of Members or (as the case may be) in the Depository Register at the close of business on:

(i) the date of the ordinary resolution(or such other date as may be specified therein or determined as therein provided); or

(ii) (in the case of an ordinary resolution passed pursuant to Article 47(2)) such other date as may be determined by the Directors,

in proportion to their then holdings of shares and applying such sum on their behalf in paying up in full unissued shares (or, subject to any special rights previously conferred on any shares or class of shares for the time being issued, unissued shares of any other class not being redeemable shares) for allotment and distribution credited as fully paid up to and amongst them as bonus shares in the proportion aforesaid.

136. In addition and without prejudice to the powers provided for by Article 135(1) and 137, the Directors shall have power to issue shares for which no consideration is payable and to capitalise any undivided profits or other moneys of the Company not required for the payment or provision of any dividend on any shares entitled to cumulative or non-cumulative preferential dividends (including profits or other moneys carried and standing to any reserve or reserves) and to apply such profits or other moneys in paying up such shares in full, in each case on terms that such shares shall, upon issue, be held by or for the benefit of participants of any share incentive or option scheme or plan implemented by the Company and approved by shareholders in general meeting and on such terms as the Directors shall think fit.

Directors to do all acts and things to give effect

137. The Directors may do all acts and things considered necessary or expedient to give effect to any such capitalisation with full power to the Directors to make such provision for the satisfaction of the right of the holders of such shares in the Register of Members or in the Depository Register as the case may be and as they think fit for any fractional entitlements which would arise including provisions whereby fractional entitlements are disregarded or the benefit thereof accrues to the Company rather than to the members concerned. The Directors may authorise any person to enter, on behalf of all the members interested, into an agreement with the Company providing for any such capitalisation and matters incidental thereto, and any agreement made under such authority shall be effective and binding on all concerned.

MINUTES AND BOOKS

Minutes

138. (1) The Directors shall cause minutes to be made in books to be provided for the purpose of recording:

(i) all appointments of officers made by the Directors;

(ii) the names of the Directors present at each meeting of Directors and of any committee of Directors: and

(iii) all resolutions and proceedings at all meetings of the Company and of any class of Members, of the Directors and of committees of Directors.

(2) Any such minutes of any meeting, if purporting to be signed by the Chairman of such meeting, or by the Chairman of the next succeeding meeting, shall be conclusive evidence without any further proof of the facts stated therein.

Keeping of Registers, etc.

139. The Directors shall duly comply with the provisions of the Act and in particular the provisions with regard to the registration of charges created by or affecting property of the Company, keeping a Register of Directors and Secretaries, a Register of Members, a Register of Transfers, a Register of Mortgages and Charges and a Register of Directors' Share and Debenture Holdings and the production and furnishing of copies of such Registers and of any Register of Holders of Debentures of the Company.

Form of Registers, etc.

140. Any register, index, minute book, book of accounts or other book required by these Articles or by the Act to be kept by or on behalf of the Company may be kept either by making entries in bound books or by recording them in any other manner. In any case in which bound books are not used, the Directors shall take adequate precautions for guarding against falsification and for facilitating discovery.

ACCOUNTS

Directors to keep proper accounts

141. The Directors shall cause to be kept such accounting and other records as are necessary to comply with the provisions of the Act and shall cause those records to be kept in such manner as to enable them to be conveniently and properly audited.

Location and Inspection

142. The books of accounts shall be kept at the Office or at such other place or places as the Directors think fit within Labuan, Malaysia and shall be open to the inspection of the Directors. No Member (other than a Director) shall have any right to inspect any account or book or document or other recording of the Company except as is conferred by law or authorised by the Directors or by an ordinary resolution of the Company.

Presentation of accounts

143. In accordance with the provisions of the Act, the Directors shall cause to be prepared and to be laid before the Company in general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as may be necessary. The interval between the close of a financial year of the Company and the Company's Annual General Meeting shall not exceed four (4) months (or such other period as may be prescribed by the Act and the byelaws and listing rules of the Exchange).

Copies of accounts

144. A copy of every balance sheet and profit and loss account which is to be laid before a general meeting of the Company (including every document required by the Act to be annexed thereto) together with a copy of every report of the auditors relating thereto and of the Directors' report shall not less than seven (7) days before the date of the meeting be sent to every Member of, and every holder of debentures (if any) of, the Company and to every other person who is entitled to receive notices from the Company under the provisions of the Act or of these Articles; provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one (1) of the joint holders of a share in the Company or the several persons entitled thereto in consequence of the death or bankruptcy of the holder or otherwise but any Member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the office.

Accounts to Stock Exchange

145. Such number of each document as is referred to in the preceding Article or such other number as may be required by the Exchange shall be forwarded to the Exchange at the same time as such documents are sent to the Members.

AUDITORS

Appointment of auditors

146. Auditors shall be appointed and their duties regulated in accordance with the provisions of the Act. Every auditor of the Company shall have a right of access at all times to the accounting and other records of the Company and shall make his report as required by the Act.

Validity of acts of auditors in spite of some formal defect

147. Subject to the provisions of the Act, all acts done by any person acting as an auditor shall, as regards all persons dealing in good faith with the Company, be valid, notwithstanding that there was some defect in his appointment or that he was at the time of his appointment not qualified for appointment.

Auditors' right to receive notices of and attend general meetings

148. The auditors shall be entitled to attend any general meeting and to receive all notices of and other communications relating to any general meeting to which any Member is entitled and to be heard at any general meeting on any part of the business of the meeting which concerns them as auditors.

NOTICES

Service of notices

149. (1) Any notice or document (including a share certificate) may be served by the Company on any Member either personally or by sending it through the post in a prepaid letter or wrapper addressed to such Member at his registered address in the Register of Members or the Depository Register (as the case may be).

(2) Without prejudice to the provisions of Article 149(1), any notice or document (including, without limitations, any accounts, balance-sheet or report) which is required or permitted to be given, sent or served under the Act or under these Articles by the Company, or by the Directors, to a Member or an officer or auditor of the Company may be given, sent or served using electronic communications:

(a) to the current address of that person (which may be an email address);

(b) by making it available on a website prescribed by the Company from time to time; or

(c) in such manner as such member expressly consents to receiving notices and documents by giving notice in writing to the Company.

in accordance with the provisions of the Act and/or any other applicable regulations or procedures and the listing rules of the Exchange.

(3) For the purposes of Article 149(2) above, subject to any applicable laws relating to electronic communications, including, *inter alia*, the Act and the listing rules of the Exchange, a member shall be implied to have agreed to receive such notice or document by way of such electronic communications and shall not have a right to elect to receive a physical copy of such notice or document.

(4) Notwithstanding Article 149(3) above, and subject to any applicable laws relating to electronic communications, including, *inter alia*, the Act and the listing rules of the Exchange, the Directors may, at their discretion, at any time give a member an opportunity to elect within a specified period of time whether to receive such notice or document by way of electronic communications or as a physical copy, and such member shall be deemed to have consented to receive such notice or document by way of electronic communications if he was given such an opportunity and he failed to make an election within the specified time, and he shall not in such an event have a right to receive a physical copy of such notice or documents.

(5) Where a notice or document is given, sent or served by electronic communications:

(a) to the current address of a person pursuant to Article 149(2)(a), it shall be deemed to have been duly given, sent or served at the time of transmission of the electronic communication by the email server or facility operated by the Company or its service provider to the current address of such person (notwithstanding any delayed receipt, non-delivery or "returned mail" reply message or any other error message indicating that the electronic communication was delayed or not successfully sent), unless otherwise provided under applicable laws; or

(b) by making it available on a website pursuant to Article 149(2)(b).

it shall be deemed to have been duly given, sent or served on the date on which the notice or document is first made available on the website, or unless otherwise provided under applicable laws.

(6) When a given number of days' notice or notice extending over any other period is required to be given the day of service shall, unless it is otherwise provided or required by these Articles or by the Act, be not counted in such number of days or period.

(7) Where a notice or document is given, sent or served to a member by making it available on a website pursuant to Article 149(5)(b), the Company shall give separate notice to the member of the publication of the notice or document on that website and the manner in which the notice or document may be accessed by any one or more of the following means:

(a) by sending such separate notice to the member personally or through the post pursuant to Article 149(1);

(b) by sending such separate notice to the member using electronic communications to his current address pursuant to Article 149(2)(a);

(c) by way of advertisement in the daily press; and/or

(d) by way of announcement on the Stock Exchange.

(8) Notwithstanding any provision of these Regulations, the Company shall comply with the listing rules of the Stock Exchange for the time being in force relating to communications with members, including any requirements to send specific documents to members by way of physical copies.

Service of notices in respect of joint holders

150. All notices with respect to any shares to which persons are jointly entitled shall be given to whichever of such persons is named first on the Register of Members or the Depository Register (as the case may be) and notice so given shall be sufficient notice to all the holders of such shares.

Members shall be served at registered address

151. Any Member with a registered address shall be entitled to have served upon him at such address or current address (as the case may be) any notice or document with which he is entitled to be served under these Articles.

Service of notice on Members abroad

152. Notwithstanding Article 151, a Member who has no registered address in Singapore shall not be entitled to be served with any notice or document with which he would otherwise be entitled to be served under the Articles, unless and until he has notified in writing the Company or the Depository (as the case may be) an address in Singapore which shall be deemed his registered address for the purpose of service of any notice or document.

Notices in cases of death or bankruptcy

153. A person entitled to a share in consequence of the death or bankruptcy of a Member or otherwise upon supplying to the Company such evidence as the Directors may reasonably require to show his title to the share, and upon supplying also an address in Singapore for the service of notice, shall be entitled to have served upon him (subject to Article 150) at such address any notice or document to which the Member but for his death or bankruptcy or otherwise would be entitled and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share. Save as aforesaid, any notice or document delivered or sent by post to or left at the registered address or given, sent or served by electronic communication to the current address (as the case may be) of any Member in pursuance of these Articles shall (notwithstanding that such Member be then dead or bankrupt or otherwise not entitled to such share and whether or not the Company have notice of the same) be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder.

When service effected

154. Any notice or other document if sent by post, and whether by airmail or not, shall be deemed to have been served on the day following that on which the envelope or wrapper containing the same is posted, and in proving such service by post it shall be sufficient to prove that the letter or wrapper containing the same was properly addressed and put into the post office as a prepaid letter or wrapper. Any notice given, sent or served using electronic communication (as the case may be) shall be deemed to have been duly given, sent or served upon transmission of the electronic communication to the current address of such person or as otherwise provided under the Act and/or other applicable regulations or procedures.

Signature/ Name on notice

155. Any notice on behalf of the Company or of the Directors shall be deemed effectual if it purports to bear the signature/name of the Secretary or other duly authorised officer of the Company, whether such signature/name is printed, written or electronically signed.

Day of service not counted

156. When a given number of days' notice or notice extending over any other period is required to be given the day of service shall, unless it is otherwise provided or required by these Articles or by the Act, be not counted in such number of days or period.

Notice of general meeting

157. Notice of every general meeting shall be given in manner hereinbefore authorised to:

(i) every Member;

(ii) every person entitled to a share in consequence of the death or bankruptcy or otherwise of a Member who but for the same would be entitled to receive notice of the meeting;

(iii) the auditor for the time being of the Company; and

(iv) the Exchange.

WINDING UP

Distribution of assets in specie

158. If the Company is wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may, with the authority of a special resolution, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds and may for such purpose set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Members as the liquidator with the like authority thinks fit, and the liquidation of the Company may be closed and the Company dissolved, but no Member shall be compelled to accept any shares or other securities in respect of which there is a liability.

INDEMNITY

Indemnity of Directors and officers

159. (1) Subject to the provisions of the Act, every Director, Chief Executive Officer/Managing Director, auditor, Secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities incurred by him;

(i) in the execution and discharge of his duties as an officer or auditor of the Company, unless the same arises as a result of any negligence, default, breach of duty or breach of trust on his part in relation to the Company; or

(ii) in defending any proceedings whether civil or criminal (relating to the affairs of the Company) in which judgment is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by the Court.

(2) Without prejudice to the generality of the foregoing, no Director, Chief Executive Officer/Managing Director, Secretary or other officer of the Company shall be liable for the acts, receipts, neglects or defaults of any other Director or officer or for joining in any receipt or other act for conformity or for any loss or expense happening to the Company through the insufficiency or deficiency of title to any property acquired by order of the Directors for or on behalf of the Company or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Company shall be invested or for any loss or damage arising from the bankruptcy, insolvency or tortious act of any person with whom any moneys, securities or effects shall be deposited or left or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto unless the same happen through his own negligence, wilful default, breach of duty or breach of trust.

SECRECY

Secrecy

160. No Member shall be entitled to require discovery of or any information relating to any detail of the Company's trade or any matter which may be in the nature of a trade secret, mystery of trade or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interest of the Members of the Company to communicate to the public save as may be authorised by law or required by the listing rules of the Exchange.

Take-over

161. For so long as the shares of the Company are listed on the Exchange, the provisions of Sections 138, 139 and 140 of the Singapore Securities and Futures Act (Chapter 289) and the Singapore Code on Take-overs and Mergers shall apply, mutatis mutandis, to all take-over offers for the Company.

Notification of shareholding by Directors and Substantial Shareholders

162. (1) For so long as the shares of the Company are listed on the Exchange, each Director shall, upon his appointment to the Board, forthwith notify the Secretary of the particulars of the shares beneficially owned by him at the time of his appointment and of any change in such particulars.

(2) For so long as the shares of the Company are listed on the Exchange, each Member shall, (a) upon becoming a substantial shareholder of the Company, (b) for so long as he remains a substantial shareholder of the Company, upon a change in the percentage level of his interest or interests in the Company and (c) upon ceasing to be a substantial shareholder of the Company, give the Secretary a notice in writing of (i) the particulars of the shares beneficially owned by him, or (ii) the particulars of the change in interests (including the date of change and the circumstances of the cessation of substantial shareholding, as the case may be, within two (2) business days after (aa) becoming a substantial shareholder, (bb) the date of change in the percentage of his interest, or (cc) the date of cessation, as the case may be.

For the purpose of Article 162, the term "substantial shareholder" shall have the same meaning ascribed to it in Section 81(1) and 81(2) of the Companies Act 1967 of Singapore ("**Singapore Companies Act**"), the term "interest" or "interests" shall have the same meaning ascribed to it in Section 7 of the Singapore Companies Act and the term "percentage level" shall have the meaning ascribed to it in Section 83(3) of the Singapore Companies Act. The requirement to give notice under this Article 162 shall not apply to the Depository.

AMENDMENT TO ARTICLES

The Company may amend the provisions contained in these Articles as originally drafted or as amended from time to time by a Special Resolution of the Company.

APPENDIX I – EXTRACTS OF THE PROPOSED KEY AMENDMENTS TO THE EXISTING MEMORANDUM AND ARTICLES

Set out below are the key provisions in the New Memorandum and Articles which are significantly different from the equivalent provisions in the Existing Memorandum and Articles, or which have been included in the New Memorandum and Articles as new provisions. It is proposed that the following regulations in the Existing Memorandum and Articles be amended in the following manner where text in strikethrough indicates deletions from, and underlined text indicates additions to, the Existing Memorandum and Articles.

Article 1 of the Existing Memorandum and Articles

"electronic communications"	1.	Communication transmitted (whether from one person to another, from one device to another, from a person to a device or from a device to a person): (a) by means of a telecommunication system; or (b) by other means but while in an electronic form, such that it can (where particular conditions are met) be received in legible form or be made legible following receipt in non-legible form.

New Article 5A

Book-entry securities	5A.	The provisions of these Articles relating to the transfer, transmission and certification of shares shall not apply to any transactions affecting book-entry securities (as defined in the Singapore Companies Act).

Article 55(2) of the Existing Memorandum and Articles

Extraordinary General Meetings	55.(2)	All general meetings other than Annual General Meetings shall be called Extraordinary General Meetings. ~~Subject to the listing rules of the Exchange, the time and place of any meeting shall be determined by the convenors of the meeting~~. All general meetings shall be held in Singapore at such location as may be determined by the Directors, unless prohibited by relevant laws and regulations in the jurisdiction of its incorporation, or unless such requirement is waived by the Exchange.

Article 65 of the Existing Memorandum and Articles

Method of taking a poll	65.	If a poll is required by the listing rules of the Exchange or is duly demanded (and the demand is not withdrawn), it shall be taken in such manner (including electronically, the use of ballot or voting papers or tickets) as the Chairman may direct and the result of a poll shall be deemed to be the resolution of the general meeting at which the poll was required by the listing rules of the Exchange or was demanded. The Chairman may, and if so required under the listing rules of the Exchange or if so requested shall, appoint at least one scrutineer~~(s)~~ who shall be independent of the persons undertaking the polling process and may adjourn the general meeting to some place and time fixed by him for the purpose of declaring the result of the poll. Where the appointed scrutineer is interested in any of the resolutions to be passed at the General Meeting, it shall refrain from acting as the scrutineer for such resolutions. If and when a scrutineer is appointed, the Chairman of the general meeting shall ensure that the scrutineer properly exercises his duties as a scrutineer including and not limited to ensuring that satisfactory procedures of the voting process are in place before the general meeting and directing and supervising the count of the votes cast through proxy and in person, and such other duties as may be prescribed from time to time by the listing rules of the Exchange.

Article 78(1) of the Existing Memorandum and Articles

Instrument appointing a proxy	78.(1)	Any instrument appointing a proxy shall be in writing in the common form or any other form approved by the Directors and:
		(i) if the appointer is an individual, shall be (a) executed under the hand of the appointor or his attorney duly authorised in writing if the instrument of proxy is delivered personally or sent by post; or (b) authorised by that individual through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication;~~or,~~
		(ii) if the appointor is a corporation, shall be either (a) executed under seal or under the hand of its attorney duly authorised if the instrument of proxy is delivered personally or sent by post; or (b) authorised by that corporation through such method and in such manner as may be approved by the Directors, if the instrument is submitted by electronic communication, ~~or in such manner as appropriate under applicable laws~~
		and the Company shall accept as valid in all respects the form of proxy approved by the Directors for use at the date relevant to the general meeting in question.

Article 78(3) of the Existing Memorandum and Articles

Instrument appointing a proxy	78.(3)	A member who has deposited an instrument appointing any number of proxies to vote on his behalf at a General Meeting shall not be precluded from attending, speaking and voting in person at that General Meeting. Any such appointment of all the proxies concerned shall be deemed to be revoked upon the attendance of the member appointing the proxy/ proxies at the relevant General Meeting.

Article 79 of the Existing Memorandum and Articles

To be left at Company's office	79.	The ~~original~~ instrument appointing a proxy, together with the ~~original~~ power of attorney or other authority, if any, under which the instrument of proxy is signed or a duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the original instrument of proxy and (i) if sent personally or by post, must be left at the Office or such other place (if any) as is specified for the purpose in the notice convening the meeting not less than forty- eight (48) hours before the time appointed for the holding of the meeting or adjourned meeting (or in the case of a poll before the time appointed for the taking of the poll) at which it is to be used failing which the instrument may be treated as invalid and (ii) if submitted by electronic communication, must be received through such means as may be specified for that purpose or by way of note or in any document accompanying the notice convening the General Meeting failing which the instrument may be treated as invalid. An instrument appointing a proxy shall, unless the contrary is stated thereon, be valid as well for any adjournment of the meeting as for the meeting to which it relates, provided that an instrument of proxy relating to more than one (1) meeting (including any adjournment thereof) having once been so delivered for the purposes of any meeting shall not be required again to be delivered for the purposes of any subsequent meeting to which it relates.

Article 149(2) to 149(8) of the Existing Memorandum and Articles

Service of notices

149.(2) Without prejudice to the provisions of Article 149(1), any notice or document (including, without limitations, any accounts, balance-sheet or report) which is required or permitted to be given, sent or served under the Act or under these Articles by the Company, or by the Directors, to a Member or an officer or auditor of the Company may be given, sent or served using electronic communications:

(a) to the current address of that person (which may be an email address);

(b) by making it available on a website prescribed by the Company from time to time; or

(c) in such manner as such member expressly consents to receiving notices and documents by giving notice in writing to the Company.

in accordance with the provisions of the Act and/or any other applicable regulations or procedures and the listing rules of the Exchange.

(3) For the purposes of Article 149(2) above, subject to any applicable laws relating to electronic communications, including, *inter-alia*, the Act and the listing rules of the Exchange, a member shall be implied to have agreed to receive such notice or document by way of such electronic communications and shall not have a right to elect to receive a physical copy of such notice or document.

(4) Notwithstanding Article 149(3) above, and subject to any applicable laws relating to electronic communications, including, inter alia, the Act and the listing rules of the Exchange, the Directors may, at their discretion, at any time give a member an opportunity to elect within a specified period of time whether to receive such notice or document by way of electronic communications or as a physical copy, and such member shall be deemed to have consented to receive such notice or document by way of electronic communications if he was given such an opportunity and he failed to make an election within the specified time, and he shall not in such an event have a right to receive a physical copy of such notice or documents.

(5) Where a notice or document is given, sent or served by electronic communications:

(a) to the current address of a person pursuant to Article 149(2)(a), it shall be deemed to have been duly given, sent or served at the time of transmission of the electronic communication by the email server or facility operated by the Company or its service provider to the current address of such person (notwithstanding any delayed receipt, non-delivery or "returned mail" reply message or any other error message indicating that the electronic communication was delayed or not successfully sent), unless otherwise provided under applicable laws; or

(b) by making it available on a website pursuant to Article 149(2)(b).

it shall be deemed to have been duly given, sent or served on the date on which the notice or document is first made available on the website, or unless otherwise provided under applicable laws.

(6) When a given number of days' notice or notice extending over any other period is required to be given the day of service shall, unless it is otherwise provided or required by these Articles or by the Act, be not counted in such number of days or period.

(7) Where a notice or document is given, sent or served to a member by making it available on a website pursuant to Article 149(5)(b), the Company shall give separate notice to the member of the publication of the notice or document on that website and the manner in which the notice or document may be accessed by any one or more of the following means:

(a) by sending such separate notice to the member personally or through the post pursuant to Article 149(1);

(b) by sending such separate notice to the member using electronic communications to his current address pursuant to Article 149(2)(a);

(c) by way of advertisement in the daily press; and/or

(d) by way of announcement on the d Stock Exchange.

(8) Notwithstanding any provision of these Regulations, the Company shall comply with the listing rules of the Designated Stock Exchange for the time being in force relating to communications with members, including any requirements to send specific documents to members by way of physical copies.

Article 162 of the Existing Memorandum and Articles

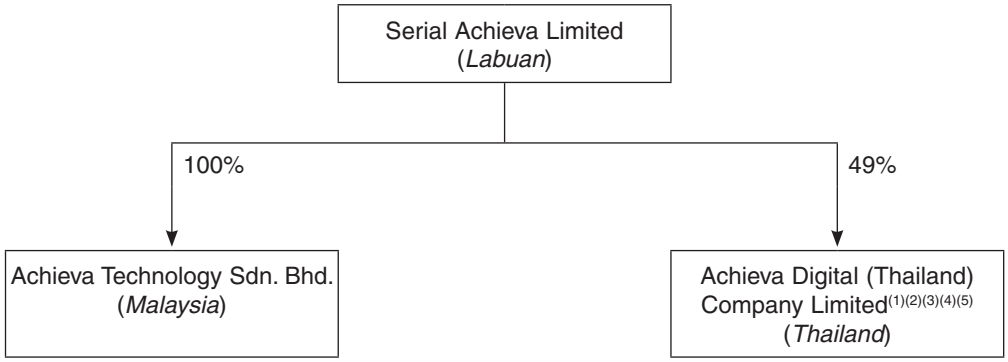
Notification of shareholding by Directors and Substantial Shareholders

162. (1) For so long as the shares of the Company are listed on the Exchange, each Director shall, upon his appointment to the Board, forthwith notify the Secretary of the particulars of the shares beneficially owned by him at the time of his appointment and of any change in such particulars.

(2) For so long as the shares of the Company are listed on the Exchange, each Member shall, (a) upon becoming a substantial shareholder of the Company, (b) for so long as he remains a substantial shareholder of the Company, upon a change in the percentage level of his interest or interests in the Company and (c) upon ceasing to be a substantial shareholder of the Company, give the Secretary a notice in writing of (i) the particulars of the shares beneficially owned by him, or (ii) the particulars of the change in interests (including the date of change and the circumstances of the cessation of substantial shareholding, as the case may be, within two (2) business days after (aa) becoming a substantial shareholder, (bb) the date of change in the percentage of his interest, or (cc) the date of cessation, as the case may be.

For the purpose of Article 162, the term "substantial shareholder" shall have the same meaning ascribed to it in Section 81(1) and 81(2) of the Companies Act 1967 of Singapore~~, Chapter 50~~ ("**Singapore Companies Act**"), the term "interest" or "interests" shall have the same meaning ascribed to it in Section 7 of the Singapore Companies Act and the term "percentage level" shall have the meaning ascribed to it in Section 83(3) of the Singapore Companies Act. The requirement to give notice under this Article 162 shall not apply to the Depository.

On Completion, it is envisaged that the group structure of the Company will be as follows:



Notes:

(1) Achieva Digital (Thailand) Company Limited, being the Target Thai Company, is owned as to 49% by the Company and 51% by Mr Natthawat who is unrelated to the Company, its subsidiaries, its Directors or Substantial Shareholders, the Target Group, or Target Group's Directors. Mr Natthawat is a Thai national and is presently in charge of the day-to-day operations of the Existing Thai Company and, upon Completion, will be an employee of the Target Thai Company. By virtue of his contributions to the Existing Thai Company and, in view of Mr Natthawat's future contributions to the Target Thai Company, Mr Natthawat will, as joint venture partner, hold 51% of the shares in the Target Thai Company.

(2) The legal advisers in respect of the Proposed Transactions as to Thai laws have confirmed that the shareholding structure of the Target Thai Company is not contrary to applicable laws and regulations regarding foreign ownership restrictions.

(3) Dividends declared by the Target Thai Company will be declared in the proportion of its shareholding structure.

(4) The Target Thai Company is a subsidiary of the Company. Pursuant to section 5 of the Companies Act 1967 of Singapore, a corporation is deemed to be a subsidiary of another corporation if, among others, the other corporation controls the composition of the board of directors of the first mentioned corporation, and the composition of a corporation's board of directors shall be deemed to be controlled by another corporation if that other corporation by the exercise of some power exercisable by it without the consent or concurrence of any other person can appoint or remove all or a majority of the directors, Under the terms of the Target Thai Company SHA, the Company has the power to appoint a majority of the directors of the Target Thai Company.

(5) The Target Company will be considered a principal subsidiary of the Enlarged Group for purposes of the Catalist Rules.

1. DEFINITIONS

In this Scheme, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Associate"	:	Shall have the meaning assigned to it in the Catalist Rules
"Associated Company"	:	A company in which at least 20% but not more than 50% of its issued shares are held by the Company or the Group and over which the Company has Control
"Auditors"	:	The auditors of the Company for the time being
"Board"	:	The board of Directors of the Company for the time being
"Catalist Rules"	:	The rules constituted in Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as may be amended or modified from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Committee"	:	The Remuneration Committee of the Company
"Company"	:	Axington Inc. (to be renamed Serial Achieva Limited)
"Control"	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
"Controlling Shareholder"	:	A shareholder who: (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding Shares held by the Company as treasury shares) (unless otherwise determined by the SGX-ST that a person who satisfies this subparagraph is not a controlling shareholder); or (b) in fact exercises Control over the Company
"Date of Grant"	:	The date on which an Option is granted to a Participant pursuant to Rule 7
"Director"	:	A person holding office as a director for the time being of the Company
"EGM"	:	Extraordinary General Meeting
"Executive Director"	:	A director who is an employee of our Group and who performs an executive function
"Exercise Price"	:	The price at which a Participant shall acquire each Share upon the exercise of an Option, as determined in accordance with Rule 9, or such adjusted price as may be applicable pursuant to Rule 10
"Financial Year"	:	Each period of twelve (12) months or more or less than twelve (12) months, at the end of which the balance of accounts of the Company are prepared and audited, for the purpose of laying the same before an annual general meeting of the Company

"Grantee"	:	The person to whom an offer of an Option is made
"Group"	:	The Company, its Subsidiaries and Associated Companies (as they may exist from time to time)
"Group Employee"	:	Any confirmed employee of our Group (including an Executive Director but not a non-executive director of an Associated Company,) selected by the Committee to participate in the Scheme in accordance with Rule 4
"Incentive Option"	:	An Option that is exercisable at a discount to the Market Price which may be exercised after the second anniversary from the date on which an offer to grant such Option is made
"Labuan Companies Act"	:	The Labuan Companies Act 1990, Malaysia, as may be amended or modified from time to time
"Market Day"	:	A day on which the SGX-ST is open for trading of securities
"Market Price"	:	The average of the last dealt prices for a Share determined by reference to the daily Official List published by the SGX-ST for a period of five (5) consecutive Market Days immediately prior to the relevant Offer Date Provided always that in the case of a Market Day on which the Shares are not traded on the SGX-ST, the last dealt price for Shares on such Market Day shall be deemed to be the last dealt price of the Shares on the immediately preceding Market Day on which the Shares were traded, rounded up to the nearest whole cent in the event of fractional prices
"Market Price Option"	:	An Option that is fixed at the Market Price which may be exercised after the first anniversary of the date on which an offer to grant such Option is made
"Non-executive Director"	:	A director of the Company and or any of its Subsidiaries, as the case may be, who does not perform an executive function. For the avoidance of doubt, a Non-executive Director for the purposes of this Plan excludes a director of an Associated Company who does not perform an executive function
"Offer Date"	:	The date on which an offer to grant an Option is made pursuant to the Scheme
"Option"	:	The right to acquire Shares granted or to be granted to a Group Employee or a Non-executive Director pursuant to the Scheme and for the time being subsisting
"Option Period"	:	Subject as provided in Rules 11 and 15, the period for the exercise of an Option being: (a) in the case of an Option granted with the Exercise Price set at Market Price, a period beginning one (1) year from the Offer Date of that Option and expiring on the tenth year from the relevant Offer Date or such earlier date as may be determined by the Committee, subject as provided in Rules 11 and 15, and any other conditions as may be determined by the Committee from time to time; and

(b) in the case of an Option granted with the Exercise Price set at a discount to the Market Price, a period beginning two (2) years from the Offer Date of that Option and expiring on the tenth year from the relevant Offer Date or such earlier date as may be determined by the Committee, subject as provided in Rules 11 and 15, and any other conditions as may be determined by the Committee from time to time

"Participant"	:	The holder of an Option
"Record Date"	:	The date as at the close of business on which the Shareholders must be registered in order to participate in any dividends, rights, allotments or other distributions
"Scheme"	:	The Serial Achieva Employee Share Option Scheme, as the same may be modified from time to time
"S$"	:	Singapore dollars
"Singapore Companies Act"	:	The Companies Act 1967 of Singapore, as may be amended or modified from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"Shares"	:	Ordinary shares in the capital of the Company
"Shareholders"	:	The registered holders for the time being of the Shares (other than CDP) or in the case of Depositors, Depositors who have Shares entered against their names in the Depository Register
"Subsidiary"	:	A company which is for the time being a subsidiary of the Company as defined by Section 5 of the Singapore Companies Act

The terms "Depositor", "Depository Register" and "Depository Agent" shall have the meanings ascribed to them respectively in the Securities and Futures Act 2001 of Singapore.

Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter gender. References to persons shall include corporations.

Any reference in the Scheme to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Singapore Companies Act or any statutory modification thereof and used in this Scheme shall, where applicable, have the same meaning assigned to it under the Singapore Companies Act. Any reference in this Scheme to a time of day shall be a reference to Singapore time unless otherwise stated.

2. NAME OF THE SCHEME

The Scheme shall be called the "Serial Achieva Employee Share Option Scheme".

3. OBJECTIVES OF THE SCHEME

The Scheme will provide an opportunity for Group Employees who have contributed significantly to the growth and performance of the Group and Non-executive Directors and who satisfy the eligibility criteria as set out in Rule 4 of the Scheme, to participate in the equity of the Company.

The Scheme is primarily a share incentive scheme. It recognises the fact that the services of Group Employees and Non-executive Directors are important to the success and continued well-being of the Group. Implementation of the Scheme will enable the Company to give recognition to the contributions made by such Group Employees and Non-executive Directors. At the same time, it will give such Group Employees and Non-executive Directors an opportunity to have a direct interest in the Company at no direct cost to its profitability and will also help to achieve the following positive objectives:

(a) to motivate Participants to optimise their performance standards and efficiency and to maintain a high level of contribution to the Group;

(b) to retain key employees and directors whose contributions are essential to the long-term growth and prosperity of the Group;

(c) to instil loyalty to, and a stronger identification by Participants with the long-term prosperity of, the Group;

(d) to attract potential employees with relevant skills to contribute to the Group and to create value for the Shareholders; and

(e) to align the interests of Participants with the interests of the Shareholders.

4. ELIGIBILITY

4.1 The following persons shall be eligible to participate in the Scheme at the absolute discretion of the Committee:

(a) Group Employees (including executive Directors) who have attained the age of twenty-one (21) years on or prior to the relevant Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors, and who have, as of the Date of Grant, been in the employment of the Group for a period of at least twelve (12) months, or such shorter period as the Committee may determine; and

(b) Non-executive Directors who have attained the age of twenty-one (21) years on or prior to the relevant Offer Date and are not undischarged bankrupts and have not entered into a composition with their respective creditors.

Directors and employees of the Company's parent company and its Subsidiaries (other than the Company and the Company's Subsidiaries) who are not Group Employees are not entitled to participate in the Scheme. For avoidance of doubt, a non-executive director of an Associated Company is not eligible to participate in the Scheme.

There will be no restriction on the eligibility of any Participant to participate in any other share option or share incentive schemes implemented by any other company within the Group.

4.2 Controlling Shareholders and their Associates who satisfy the criteria set out in Rule 4.1 above shall be eligible to participate in the Scheme provided that:

(a) their participation; and

(b) the actual or maximum number of Shares and terms of any Options to be granted to them,

have been approved by independent shareholders of the Company at a general meeting in separate resolutions for each such person and, in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the actual or maximum number of Shares and terms of any Options to be granted to him, provided always that it shall not be necessary to obtain

the approval of the independent shareholders of the Company for the participation in the Scheme of a Controlling Shareholder or his Associate who is, at the relevant time, already a Participant. Controlling Shareholders and their Associates shall abstain from voting on any resolution in relation to their participation in the Scheme and the grant of Options to them.

5. MAXIMUM ENTITLEMENT

Subject to Rule 4 and Rule 10, the aggregate number of Shares in respect of which Options may be offered to a Grantee for acquisition in accordance with the Scheme shall be determined at the discretion of the Committee who shall take into account criteria such as rank, past performance, years of service and potential development of the Grantee.

6. LIMITATION ON THE SIZE OF THE SCHEME

6.1 The aggregate number of Shares over which the Committee may grant Options on any date, when added to the number of Shares issued and issuable or transferred and to be transferred in respect of all Options granted under the Scheme and the number of Shares issued and issuable or transferred and to be transferred in respect of all options or awards granted under any other share option schemes or share schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day immediately preceding the Offer Date of the Option.

6.2 The aggregate number of Shares which may be issued or transferred pursuant to Options under the Scheme to Participants who are Controlling Shareholders and their Associates shall not exceed 25.0% of the Shares available under the Scheme.

6.3 The number of Shares which may be issued or transferred pursuant to Options under the Scheme to each Participant who is a Controlling Shareholder or his Associate shall not exceed 10% of the Shares available under the Scheme.

7. OFFER DATE

7.1 The Committee may, save as provided in Rule 4, Rule 5 and Rule 6, offer to grant Options to such Grantees as it may select in its absolute discretion at any time during the period when the Scheme is in force, except that no Options shall be granted during the period of thirty (30) days immediately preceding the date of announcement of the Company's interim and/or final results (whichever the case may be). In addition, in the event that an announcement on any matter of an exceptional nature involving unpublished price sensitive information is imminent, offers to grant Options may only be made on or after the third Market Day on which such announcement is released.

7.2 An offer to grant the Option to a Grantee shall be made by way of a letter (the "**Letter of Offer**") in the form or substantially in the form set out in Annex 1, subject to such amendments as the Committee may determine from time to time.

8. ACCEPTANCE OF OFFER

8.1 An Option offered to a Grantee pursuant to Rule 7 may only be accepted by the Grantee within thirty (30) days after the relevant Offer Date and not later than 5.00 p.m. on the thirtieth day from such Offer Date (a) by completing, signing and returning to the Company the Acceptance Form in or substantially in the form set out in Annex 2, subject to such modification as the Committee may from time to time determine, accompanied by payment of S$1.00 as consideration or such other amount and such other documentation as the Committee may require and (b) if, at the date on which the Company receives from the Grantee the Acceptance Form in respect of the Option as aforesaid, he remains eligible to participate in the Scheme in accordance with these Rules.

8.2 If a grant of an Option is not accepted strictly in the manner as provided in this Rule 8, such offer shall, upon the expiry of the thirty (30) day period, automatically lapse and shall forthwith be deemed to be null and void and be of no effect.

8.3 The Company shall be entitled to reject any purported acceptance of a grant of an Option made pursuant to this Rule 8 or Exercise Notice (as defined in Rule 12) given pursuant to Rule 12 which does not strictly comply with the terms of the Scheme.

8.4 Options are personal to the Grantees to whom they are granted and shall not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever without the Committee's prior written approval, but may be exercised by the Grantee's duly appointed personal representative as provided in Rule 11.6 in the event of the death of such Grantee.

8.5 The Grantee may accept or refuse the whole or part of the offer. If only part of the offer is accepted, the Grantee shall accept the offer in multiples of hundred (100) Shares. The Committee shall, within fifteen (15) Market Days of receipt of the Acceptance Form and consideration, acknowledge receipt of the same.

8.6 In the event that a grant of an Option results in a contravention of any applicable law or regulation, such grant shall be null and void and be of no effect and the relevant Participant shall have no claim whatsoever against the Company.

8.7 Unless the Committee determines otherwise, an Option shall automatically lapse and become null, void and of no effect and shall not be capable of acceptance if:

(a) it is not accepted in the manner as provided in Rule 8.1 within the thirty (30) day period; or

(b) the Participant dies prior to his acceptance of the Option; or

(c) the Participant is adjudicated a bankrupt or enters into composition with his creditors prior to his acceptance of the Option; or

(d) the Grantee, being a Group Employee, ceases to be in the employment of the Group or (being an Executive Director) ceases to be a director of the Company, in each case, for any reason whatsoever prior to his acceptance of the Option; or

(e) the Company is liquidated or wound-up prior to the Grantee's acceptance of the Option.

9. EXERCISE PRICE

9.1 Subject to any adjustment pursuant to Rule 10, the Exercise Price for each Share in respect of which an Option is exercisable shall be determined by the Committee at its absolute discretion, and shall be fixed by the Committee at:

(a) the Market Price; or

(b) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20% of the Market Price in respect of that Option.

9.2 In making any determination under Rule 9.1(b) on whether to give a discount and the quantum of such discount, the Committee shall be at liberty to take into consideration such criteria as the Committee may, at its absolute discretion, deem appropriate, including but not limited to:

(a) the performance of the Company, its Subsidiaries and Associated Companies, as the case may be, taking into account financial parameters such as net profit after tax, return on equity and earnings growth;

(b) the years of service and individual performance of the eligible Group Employee;

(c) the contribution of the eligible Group Employee to the success and development of the Company and/or the Group; and

(d) the prevailing market conditions.

10. ALTERATION OF CAPITAL

10.1 If a variation in the issued share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation or distribution, or otherwise howsoever) should take place, then:

(a) the Exercise Price in respect of the Shares comprised in the Option to the extent unexercised; and/or

(b) the class and/or number of Shares comprised in the Option to the extent unexercised and the rights attached thereto; and/or

(c) the maximum entitlement in any one Financial Year; and/or

(d) the class and/or number of Shares in respect of which additional Options may be granted to Participants,

may, at the option of the Committee, be adjusted in such manner as the Committee may determine to be appropriate, including retrospective adjustments, where such variation occurs after the date of exercise of an Option but the Record Date relating to such variation precedes such date of exercise and, except in relation to a capitalisation issue, upon the written confirmation of the Auditors (acting only as experts and not as arbitrators), that in their opinion, such adjustment is fair and reasonable.

10.2 Notwithstanding the provisions of Rule 10.1 above, no such adjustment shall be made

(a) if as a result, the Participant receives a benefit that a Shareholder does not receive; and

(b) unless the Committee after considering all relevant circumstances considers it equitable to do so.

10.3 The issue of securities as consideration for an acquisition of any assets by the Company or a private placement of securities or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares, in accordance with the Catalist Rules, undertaken by the Company on the SGX-ST during the period when a share repurchase mandate granted by the Shareholders (including any renewal of such mandate) is in force, will not be regarded as a circumstance requiring adjustment under the provisions of this Rule 10.

10.4 The restriction on the number of Shares to be offered to any Grantee under Rule 5 above, shall not apply to the number of additional Shares or Options over additional Shares issued or transferred by virtue of any adjustment to the number of Shares and/or Options pursuant to this Rule 10.

10.5 Upon any adjustment required to be made, the Company shall notify each Participant (or his duly appointed personal representative(s)) in writing and deliver to him (or, where applicable, his duly appointed personal representative(s)) a statement setting forth the new Exercise Price thereafter in effect and the class and/or number of Shares thereafter comprised in the Option so far as unexercised and the maximum entitlement in any one Financial Year.

11. OPTION PERIOD

11.1 Options granted with the Exercise Price set at Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of hundred (100) Shares or any multiple thereof), at any time, by a Participant after the first anniversary of the Offer Date of that Option, provided always that the Options shall be exercised before the tenth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

11.2 Options granted with the Exercise Price set at a discount to Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of hundred (100) Shares or any multiple thereof), at any time, by a Participant after the second anniversary from the Offer Date of that Option, provided always that the Options granted to Group Employees shall be exercised before the tenth anniversary of the relevant Offer Date, and Options granted to Non-executive Directors shall be exercised before the fifth anniversary of the relevant Offer Date, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and a Participant shall have no claim against the Company.

11.3 An Option shall, to the extent unexercised, immediately lapse and become null and void and a Participant shall have no claim against the Company:

(a) subject to Rules 11.4, 11.5 and 11.6, upon the Participant ceasing to be in the employment of the Company or any of the companies within the Group for any reason whatsoever; or

(b) upon the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of such Option; or

(c) in the event of misconduct on the part of the Participant, as determined by the Committee in its absolute discretion.

For the purpose of Rule 11.3(a), a Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

11.4 If a Participant ceases to be employed by the Group by reason of his:

(a) ill health, injury or disability, in each case, as certified by a medical practitioner approved by the Committee;

(b) redundancy;

(c) retirement at or after a normal retirement age; or

(d) retirement before that age with the consent of the Committee,

or for any other reason approved in writing by the Committee, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.5 If a Participant ceases to be employed by a Subsidiary:

(a) by reason of the Subsidiary, by which he is principally employed ceasing to be a company within the Group or the undertaking or part of the undertaking of such Subsidiary, being transferred otherwise than to another company within the Group; or

(b) for any other reason, provided the Committee gives its consent in writing, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.6 If a Participant dies and at the date of his death holds any unexercised Option, such Option may, at the absolute discretion of the Committee, be exercised by the duly appointed legal personal representatives of the Participant within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

11.7 If a Participant, who is also an Executive Director or a Non-executive Director (as the case may be), ceases to be a director for any reason whatsoever, he may, at the absolute discretion of the Committee, exercise any unexercised Option within the relevant Option Period and upon the expiry of such period, the Option shall immediately lapse and become null and void.

12. EXERCISE OF OPTIONS, ALLOTMENT OR TRANSFER AND LISTING OF SHARES

12.1 An Option may be exercised, in whole or in part (provided that an Option may be exercised in part only in respect of hundred (100) Shares or any multiple thereof), by a Participant giving notice in writing to the Company in or substantially in the form set out in Annex 3 (the "Exercise Notice"), subject to such amendments as the Committee may from time to time determine. Every Exercise Notice must be accompanied by a remittance for the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option, the relevant CDP charges (if any) and any other documentation the Committee may require. All payments shall be made by cheque, cashier's order, bank draft or postal order made out in favour of the Company. An Option shall be deemed to be exercised upon the receipt by the Company of the said notice duly completed and the receipt by the Company of the full amount of the aggregate Exercise Price in respect of the Shares which have been exercised under the Option.

12.2 Subject to:

(a) such consents or other actions required by any competent authority under any regulations or enactments for the time being in force as may be necessary (including any approvals required from the SGX-ST); and

(b) compliance with the Rules of the Scheme and the constitution of the Company,

the Company shall, as soon as practicable after the exercise of an Option by a Participant but in any event within ten (10) Market Days after the date of the exercise of the Option in accordance with Rule 12.1, allot the Shares or, as the case may be, procure the transfer of existing Shares (which may include, where desired, any Shares held by the Company as treasury shares), in respect of which such Option has been exercised by the Participant and where required, or as the case may be, within five (5) Market Days from the date of such allotment, despatch the relevant share certificates to CDP for the credit of the securities account of that Participant by ordinary post or such other mode of delivery as the Committee may deem fit.

12.3 The Company shall as soon as practicable after the exercise of an Option, apply to the SGX-ST or any other stock exchange on which the Shares are quoted or listed for permission to deal in and for quotation of the Shares which may be issued upon exercise of the Option and the Shares (if any) which may be issued to the Participant pursuant to any adjustments made in accordance with Rule 10.

12.4 Shares which are all allotted or transferred on the exercise of an Option by a Participant shall be issued, as the Participant may elect, in the name of, or transferred to, CDP to the credit of the securities account of the Participant maintained with CDP or the Participant's securities sub-account with a Depository Agent.

12.5 Shares allotted and issued, and existing Shares procured by the Company for transfer, upon the exercise of an Option shall be subject to all provisions of the constitution of the Company and shall rank *pari passu* in all respects with the then existing issued Shares except for any dividends, rights, allotments or other distributions, the Record Date for which is prior to the date such Option is exercised.

12.6 Except as set out in Rule 12 and subject to Rule 10, an Option does not confer on a Participant any right to participate in any new issue of Shares.

13. ALTERATIONS AND AMENDMENTS TO THE SCHEME

13.1 Any or all of the provisions of the Scheme may be modified and/or altered at any time and from time to time by resolution of the Committee except that:

(a) any modification or alteration which shall alter adversely the rights attaching to any Option granted prior to such modification or alteration and which in the opinion of the Committee, materially alters the rights attaching to any Option granted prior to such modification or alteration, may only be made with the consent in writing of such number of Participants who, if they exercised their Options in full, would thereby become entitled to not less than three-quarters (3/4) in number of all the Shares which would be issued and allotted or transferred upon exercise in full of all outstanding Options;

(b) any modification or alteration relating to the matters contained in Rules 843 to 848, and Rules 852 to 853 of the Catalist Rules which would be to the advantage of Participants under the Scheme shall be subject to the prior approval of Shareholders at a general meeting; and

(c) no modification or alteration shall be made without the prior approval of the SGX-ST or (if required) any other stock exchange on which the Shares are quoted or listed, and such other regulatory authorities as may be necessary.

For the purposes of Rule 13.1(a), the opinion of the Committee as to whether any modification or alteration would alter adversely the rights attaching to any Option shall be final and conclusive.

13.2 Notwithstanding anything to the contrary contained in Rule 13.1, the Committee may at any time by resolution (and without any other formality save for the prior approval of the SGX-ST) amend or alter the Scheme in any way to the extent necessary to cause the Scheme to comply with any statutory provision or the provisions or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

13.3 Written notice of any modification or alteration made in accordance with this Rule shall be given to all Participants.

14. DURATION OF THE SCHEME

14.1 The Scheme shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years, commencing from the date of the Company's listing on the SGX-ST. Subject to compliance with any applicable laws and regulations in Singapore, the Scheme may be continued beyond the above stipulated period with the approval of the Shareholders by ordinary resolution at a general meeting and of any relevant authorities which may then be required.

14.2 The Scheme may be terminated at any time by the Committee or by resolution of the Shareholders at a general meeting subject to all other relevant approvals which may be required and if the Scheme is so terminated, no further Options shall be offered by the Company hereunder.

14.3 The termination, discontinuance or expiry of the Scheme shall be without prejudice to the rights accrued to Options which have been granted and accepted as provided in Rule 8, whether such Options have been exercised (whether fully or partially) or not.

15. TAKE-OVER AND WINDING-UP OF THE COMPANY

15.1 In the event of a take-over offer being made for the Company, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and 11.2) holding Options as yet unexercised shall, notwithstanding Rule 11 and Rule 12 but subject to Rule 15.5, be entitled to exercise such Options in full or in part in the period commencing on the date on which such offer is made or, if such offer is conditional, the date on which the offer becomes or is declared unconditional, as the case may be, and ending on the earlier of:

(a) the expiry of six (6) months thereafter, unless prior to the expiry of such six-month period, at the recommendation of the offeror and with the approvals of the Committee and the SGX-ST, such expiry date is extended to a later date (being a date falling not later than the date of expiry of the Option Period relating thereto); or

(b) the date of the expiry of the Option Period relating thereto;

whereupon any Option then remaining unexercised shall immediately lapse and become null and void.

Provided always that if during such period the offeror becomes entitled or bound to exercise the rights of compulsory acquisition of the Shares under the provisions of the Labuan Companies Act and, being entitled to do so, gives notice to the Participants that it intends to exercise such rights on a specified date, the Option shall remain exercisable by the Participants until such specified date or the expiry of the Option Period relating thereto, whichever is earlier. Any Option not so exercised by the said specified date shall lapse and become null and void provided that the rights of acquisition or obligation to acquire stated in the notice shall have been exercised or performed, as the case may be. If such rights of acquisition or obligations have not been exercised or performed, all Options shall, subject to Rule 11, remain exercisable until the expiry of the Option Period.

15.2 If, under the Labuan Companies Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and Rule 11.2) shall notwithstanding Rule 11 and Rule 12 but subject to Rule 15.5, be entitled to exercise any Option then held by them during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of sixty (60) days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later (but not after the expiry of the Option Period relating thereto), whereupon any unexercised Option shall lapse and become null and void, Provided always that the date of exercise of any Option shall be before the tenth anniversary of the Offer Date.

15.3 If an order or an effective resolution is passed for the winding-up of the Company on the basis of its insolvency, all Options, to the extent unexercised, shall lapse and become null and void.

15.4 In the event of a members' solvent voluntary winding-up (other than for amalgamation or reconstruction), Participants (including Participants holding Options which are then not exercisable pursuant to the provisions of Rule 11.1 and Rule 11.2) shall, subject to Rule 15.5, be entitled within thirty (30) days of the passing of the resolution of such winding-up (but not after the expiry of the Option Period relating thereto) to exercise in full any unexercised Option, after which such unexercised Option shall lapse and become null and void.

15.5 If in connection with the making of a general offer referred to in Rule 15.1 above or the scheme referred to in Rule 15.2 above or the winding-up referred to in Rule 15.4 above, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of Participants, whether by the continuation of their Options or the payment of cash or the grant of other options or otherwise, a Participant holding an Option, which is not then exercisable, may not, at the discretion of the Committee, be permitted to exercise that Option as provided for in this Rule 15.

15.6 To the extent that an Option is not exercised within the periods referred to in this Rule 15, it shall lapse and become null and void.

16. ADMINISTRATION OF THE SCHEME

16.1 The Scheme shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the Board.

16.2 The Committee shall have the power, from time to time, to make or vary such regulations (not being inconsistent with the Scheme) for the implementation and administration of the Scheme as it thinks fit.

16.3 Any decision of the Committee, made pursuant to any provision of the Scheme (other than a matter to be certified by the Auditors), shall be final and binding (including any decisions pertaining to disputes as to the interpretation of the Scheme or any rule, regulation, or procedure thereunder or as to any rights under the Scheme).

16.4 A Director who is a member of the Committee shall not be involved in its deliberation in respect of Options to be granted to him.

17. NOTICES

17.1 Any notice given by a Participant to the Company shall be sent by post or delivered to the registered office of the Company or such other address as may be notified by the Company to the Participant in writing.

17.2 Any notice or documents given by the Company to a Participant shall be sent to the Participant by hand or sent to him at his home address stated in the records of the Company or the last known address of the Participant, and if sent by post shall be deemed to have been given on the day immediately following the date of posting.

18. TERMS OF EMPLOYMENT UNAFFECTED

18.1 The Scheme or any Option shall not form part of any contract of employment between the Company, any Subsidiary or Associated Company (as the case may be) and any Participant and the rights and obligations of any individual under the terms of the office or employment with such company within the Group shall not be affected by his participation in the Scheme or any right which he may have to participate in it or any Option which he may hold and the Scheme or any Option shall afford such an individual no additional rights to compensation or damages in consequence of the termination of such office or employment for any reason whatsoever.

18.2 The Scheme shall not confer on any person any legal or equitable rights (other than those constituting the Options themselves) against the Company, any Subsidiary and/or Associated Company directly or indirectly or give rise to any cause of action at law or in equity against the Company, any Subsidiary or Associated Company.

19. TAXES

All taxes (including income tax) arising from the exercise of any Option granted to any Participant under the Scheme shall be borne by the Participant.

20. COSTS AND EXPENSES OF THE SCHEME

20.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the exercise of any Option in CDP's name, the deposit of share certificate(s) with CDP, the Participant's security account with CDP or the Participant's securities sub-account with his Depository Agent and all taxes referred to in Rule 19 which shall be payable by the relevant Participant.

20.2 Save for such costs and expenses expressly provided in the Scheme to be payable by the Participants, all fees, costs, and expenses incurred by the Company in relation to the Scheme including but not limited to the fees, costs and expenses relating to the issue and allotment or transfer of the Shares pursuant to the exercise of any Option shall be borne by the Company.

21. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained and subject to the Labuan Companies Act, the Board, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in respect of any matter under or in connection with the Scheme including but not limited to the Company's delay or failure in issuing and allotting, or procuring the transfer of, the Shares or in applying for or procuring the listing of and quotation for the Shares on the SGX-ST or any other stock exchanges on which the Shares are quoted or listed.

22. DISPUTES

Any disputes or differences of any nature in connection with the Scheme shall be referred to the Committee and its decision shall be final and binding in all respects.

23. CONDITION OF OPTION

Every Option shall be subject to the condition that no Shares shall be issued or transferred pursuant to the exercise of an Option if such issue or transfer would be contrary to any law or enactment, or any rules or regulations of any legislative or non-legislative governing body for the time being in force in Singapore or any other relevant country.

24. GOVERNING LAW

The Scheme shall be governed by and construed in accordance with the laws of the Republic of Singapore. The Company and the Participants, by accepting the offer of the grant of Options in accordance with the Scheme, shall submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

25. REPORTING REQUIREMENTS

Under the Catalist Rules, an immediate announcement must be made on the Offer Date and the announcement must provide details of the grant, including the following:

(a) date of grant;

(b) exercise price of the Options granted;

(c) number of Options granted;

(d) market price of the Shares on the date of grant;

(e) number of Options granted to each Director and Controlling Shareholder (and each of their Associates), if any; and

(f) the validity period of the Options.

The Company shall make the following disclosure in its annual report for so long as the Scheme continues in operation:

(a) the names of the members of the Committee;

(b) the information required in the table below for the following Participants (which for the avoidance of doubt, shall include Participants who have exercised all their Options in any particular Financial Year):

(i) participants who are Directors of the Company;

(ii) participants who are Controlling Shareholders and their Associates; and

(iii) participants, other than those in (i) and (ii) above, who receive Shares pursuant to the exercise of Options under the Scheme which, in aggregate, represent 5.0% or more of the aggregate of the total number of Shares available under the Scheme; and

Name of Participant	Options granted during financial year under review (including terms)	Aggregate Options granted since commencement of the Scheme to end of financial year under review	Aggregate Options exercised since commencement of the Scheme to end of financial year under review	Aggregate Options outstanding as at end of financial year under review

(c) the number and proportion of Options granted at a discount during the financial year under review in respect of every 10.0% discount range, up to the maximum quantum of discount granted; and

(d) such other information as may be required by the Catalist Rules or the Labuan Companies Act,

provided that if any of the above requirements are not applicable, an appropriate negative statement will be included in our annual report.

26. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the Scheme are to abstain from voting on any Shareholders' resolution relating to the Scheme and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy form on how the vote is to be cast. In particular Shareholders who are eligible to participate in the Scheme shall abstain from voting on the following resolutions, where applicable:

(a) implementation of the Scheme;

(b) the maximum discount which may be given in respect of any Option, and

(c) participation by and grant of Options to Controlling Shareholders and their Associates.

ANNEX 1

SERIAL ACHIEVA EMPLOYEE SHARE OPTION SCHEME
LETTER OF OFFER

Serial No.: _____

PRIVATE AND CONFIDENTIAL

Date:

To: [Name]
[Designation]
[Address]

Dear Sir/Madam

We are pleased to inform you that you have been nominated by the Remuneration Committee of the Board of Directors of Serial Achieva Limited (formerly known as Axington Inc.) (the "**Company**") to participate in the Serial Achieva Employee Share Option Scheme (the "**Scheme**"). Terms as defined in the Scheme shall have the same meaning when used in this letter.

Accordingly, an offer is hereby made to grant you an Option, in consideration of the payment of a sum of S$1.00, to acquire _____ ordinary shares in the capital of the Company at the price of S$_____ per ordinary share. The Option shall be subject to the terms of this Letter of Offer and the Scheme (as the same may be amended from time to time pursuant to the terms and conditions of the Scheme), a copy of which is enclosed herewith.

The Option is personal to you and may not be sold, mortgaged, transferred, charged, assigned, pledged or otherwise disposed of or encumbered in whole or in part or in any way whatsoever.

If you wish to accept the offer, please sign and return the enclosed Acceptance Form with a sum of S$1.00 not later than _____ a.m./p.m. on the _____ day of _____ failing which this offer will forthwith lapse.

Yours faithfully
For and on behalf of
Serial Achieva Limited
(formerly known as Axington Inc.)

_____
Name:
Designation:

ANNEX 2

SERIAL ACHIEVA EMPLOYEE SHARE OPTION SCHEME
ACCEPTANCE FORM

Serial No.: _____

PRIVATE AND CONFIDENTIAL

To: The Remuneration Committee
Serial Achieva Employee Share Option Scheme
c/o The Company Secretary

Closing Time and Date for Acceptance of Option : _____

No. of Shares in respect of which Option is offered : _____

Exercise Price per Share : S$ _____

Total Amount Payable on Acceptance of Option (exclusive of the relevant CDP charges) : _____

I have read your Letter of Offer dated _____ (the "**Offer Date**") and agree to be bound by the terms thereof and of the Serial Achieva Employee Share Option Scheme stated therein. I confirm that my acceptance of the Option will not result in the contravention of any applicable law or regulation in relation to the ownership of shares in the Company or options to acquire such shares.

I hereby accept the Option to acquire _____ ordinary shares in the capital of Serial Achieva Limited (formerly known as Axington Inc.) (the "**Shares**") at S$_____ per Share and enclose cash/banker's draft/cashier's order/postal order no. _____ for S$1.00 being payment for the purchase of the Option.

I understand that I am not obliged to exercise the Option.

I also understand that I shall be responsible for all the fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares in CDP's name, the deposit of share certificates with CDP, my securities account with CDP or my securities sub-account with a Depository Agent (as the case may be) (collectively, the "**CDP charges**").

I confirm that as at the date hereof:

(a) I am not less than 21 years old, nor an undischarged bankrupt, nor have I entered into a composition with any of my creditors;

(b) I satisfy the eligibility requirements to participate in the Scheme as defined in Rule 4 of the Scheme; and

(c) I satisfy the other requirements to participate in the Scheme as set out in the Rules of the Scheme.

I hereby acknowledge that you have not made any representation or warranty or given me any expectation of employment or continued employment to induce me to accept the offer and that the terms of the Letter of Offer and this Acceptance Form constitute the entire agreement between us relating to the offer.

I agree to keep all information pertaining to the grant of the Option to me confidential.

PLEASE PRINT IN BLOCK LETTERS

Name in full :

Designation :

Address :

Nationality :

*NRIC/Passport No. :

Signature :

Date :

* Delete as appropriate

Notes:

(1) Option must be accepted in full or in multiples of 100 Shares.
(2) The Acceptance Form must be forwarded to the Company Secretary in an envelope marked “Private and Confidential”.
(3) The Participant shall be informed by the Company of the relevant CDP charges payable at the time of the exercise of an Option.

ANNEX 3

SERIAL ACHIEVA SHARE OPTION SCHEME
EXERCISE NOTICE

To: The Remuneration Committee
Serial Achieva Employee Share Option Scheme
c/o The Company Secretary

Total number of ordinary shares (the "**Shares**") at S$_____ per Share under an option granted on _____ (the "**Offer Date**") : _____

No. of Shares previously allotted and issued or transferred thereunder : _____

Outstanding balance of Shares which may be allotted and issued or transferred thereunder : _____

Number of Shares now to be acquired (in multiples of 100) : _____

1. Pursuant to your Letter of Offer dated (the "**Offer Date**") and my acceptance thereof, I hereby exercise the Option to acquire Shares in Serial Achieva Limited (formerly known as Axington Inc.) (the "**Company**") at S$_____ per Share.

2. I hereby request the Company to allot and issue or transfer to me the number of Shares specified in paragraph 1 in the name of The Central Depository (Pte) Limited ("**CDP**") to the credit of my Securities Account with the CDP/Securities Sub-Account with a Depository Agent specified below and to deliver the share certificates relating thereto to CDP at my own risk. I further agree to bear such fees or other charges as may be imposed by CDP (the "**CDP charges**") and any stamp duties in respect thereof:

   *(a) Direct Securities Account Number : _____

   *(b) Securities Sub-Account Number : _____

   Name of Depository Agent : _____

3. I enclose a cheque/cashier's order/bank draft/postal order no. _____ for S$ in payment for the Exercise Price of S$ for the total number of the said Shares and the CDP charges of S$_____.

4. I agree to acquire the Shares subject to the terms of the Letter of Offer, the Serial Achieva Employee Share Option Scheme (as the same may be amended pursuant to the terms thereof from time to time) and the Memorandum and Articles of Association of the Company.

5. I declare that I am acquiring the Shares for myself and not as a nominee for any other person.

PLEASE PRINT IN BLOCK LETTERS

Name in full :

Designation :

Address :

Nationality :

*NRIC/Passport No. :

Signature :

Date :

* Delete as appropriate

Notes:

(1) An Option may be exercised in whole or in part provided that an Option may be exercised in part only in respect of 100 Shares or any multiple thereof.

(2) The form titled "*Exercise Notice*" must be forwarded to the Company Secretary in an envelope marked "*Private and Confidential*.

1. NAME OF THE PLAN

1.1 The Plan shall be called the "Serial Achieva Performance Share Plan".

2. DEFINITIONS

2.1 In the Plan, unless the context otherwise requires, the following words and expressions shall have the following meanings:

"Adoption Date"	:	The date on which the Plan is adopted by the Company in general meeting
"Associate"	:	Shall have the meaning assigned to it in the Catalist Rules
"Associated Company"	:	A company in which at least 20% but not more than 50% of its issued shares are held by the Company or the Group and over which the Company has Control
"Auditors"	:	The auditors of the Company for the time being
"Award"	:	A contingent award of Shares under Rule 5
"Award Date"	:	In relation to an Award, the date on which the Award is granted pursuant to Rule 5
"Award Letter"	:	A letter in such form as the Committee shall approve confirming an Award granted to a Participant by the Committee.
"Catalist Rules"	:	The rules constituted in Section B: Rules of Catalist of the Listing Manual of the SGX-ST, as may be amended or modified from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Committee"	:	The Remuneration Committee of the Company
"Company"	:	Axington Inc. (to be renamed Serial Achieva Limited)
"Control"	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
"Controlling Shareholder"	:	A shareholder who: (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding Shares held by the Company as treasury shares) (unless otherwise determined by the SGX-ST that a person who satisfies this subparagraph is not a controlling shareholder); or (b) in fact exercises Control over the Company
"Group Executive Director"	:	A director of the Company and/or any of its Subsidiaries and/or any of its Associated Companies, as the case may be, who performs an executive function
"Group"	:	The Company, its Subsidiaries and Associated Companies (as they may exist from time to time)

"Group Executive"	:	Any employee of the Group (including any Group Executive Director but not a non-executive director of an Associated Company, who meets the relevant criteria and who shall be regarded as a Group Executive for the purposes of the Plan) selected by the Committee to participate in the Plan in accordance with Rule 4
"Labuan Companies Act"	:	The Labuan Companies Act 1990, as may be amended or modified from time to time
"Non-executive Director"	:	A director of the Company and or any of its Subsidiaries, as the case may be, who does not perform an executive function. For the avoidance of doubt, a Non-executive Director for the purposes of this Plan excludes a director of an Associated Company who does not perform an executive function
"Participant"	:	A Group Executive or a Non-executive Director who has been granted an Award
"Performance Condition"	:	In relation to an Award, the condition specified on the Award Date in relation to that Award
"Performance Period"	:	The period, as may be determined by the Committee at its discretion, during which the Performance Condition is to be satisfied
"Serial Achieva Performance Share Plan" or "Plan"	:	The Serial Achieva Performance Share Plan, as the same may be modified from time to time
"Release"	:	In relation to an Award, the release at the end of the Performance Period relating to that Award of all or some of the Shares to which that Award relates in accordance with Rule 7 and, to the extent that any Shares which are the subject of the Award are not released pursuant to Rule 7, the Award in relation to those Shares shall lapse accordingly, and "Released" shall be construed accordingly
"Release Schedule"	:	In relation to an Award, a schedule in such form as the Committee shall approve, setting out the extent to which Shares which are the subject of that Award shall be Released on the Performance Condition being satisfied (whether fully or partially) or exceeded or not being satisfied, as the case may be, at the end of the Performance Period
"Released Award"	:	An Award which has been released in accordance with Rule 7
"Retention Period"	:	Such retention period as may be determined by the Committee and notified to the Participant at the grant of the relevant Award to that Participant
"Shares"	:	Ordinary shares in the capital of the Company
"Singapore Companies Act"	:	The Companies Act 1967 of Singapore, as may be amended or modified from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited

"Subsidiary"	:	A company which is for the time being a subsidiary of the Company as defined by Section 5 of the Singapore Companies Act
"Trading Day"	:	A day on which the Shares are traded on the SGX-ST
"Vesting"	:	In relation to Shares which are the subject of a Released Award, the absolute entitlement to all or some of the Shares which are the subject of a Released Award and "Vest" and "Vested" shall be construed accordingly
"Vesting Date"	:	In relation to Shares which are the subject of a Released Award, the date (as determined by the Committee and notified to the relevant Participant) on which those Shares have Vested pursuant to Rule 7

2.2 Words importing the singular number shall, where applicable, include the plural number and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

2.3 Any reference to a time of a day in the Plan is a reference to Singapore time.

2.4 Any reference in the Plan to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Singapore Companies Act or any statutory modification thereof and not otherwise defined in the Plan and used in the Plan shall have the meaning assigned to it under the Singapore Companies Act or any statutory modification thereof, as the case may be.

3. OBJECTIVES OF THE PLAN

The Plan has been proposed in order to:

(a) foster an ownership culture within the Group which aligns the interests of Group Executives and Non-executive Directors with the interests of shareholders;

(b) motivate Participants to achieve key financial and operational goals of the Company and/or their respective business units; and

(c) make total employee remuneration sufficiently competitive to recruit and retain staff having skills that are commensurate with the Company's ambition to become a world class company.

4. ELIGIBILITY OF PARTICIPANTS

4.1 Eligibility:

(a) Group Executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time and who have, as of the Award Date, been in full time employment of the Group for a period of at least twelve (12) months (or in the case of any Group Executive Director, such shorter period as the Committee may determine) shall be eligible to participate in the Plan at the absolute discretion of the Committee. For the avoidance of doubt, a non-executive director of an Associated Company will not be eligible to participate in the Plan.

(b) Non-executive Directors shall be eligible to participate in the Plan at the absolute discretion of the Committee.

(c) Directors and employees of the Company's parent company and its Subsidiaries (other than the Company and the Company's Subsidiaries) who are not Group Executives are not entitled to participate in the Plan.

4.2 Controlling Shareholders and their Associates who satisfy the criteria set out in Rule 4.1 above shall be eligible to participate in the Plan provided that:

(a) their participation; and

(b) the actual or maximum number of Shares and terms of any Awards to be granted to them,

have been approved by independent shareholders of the Company at a general meeting in separate resolutions for each such person and, in respect of each such person, in separate resolutions for each of (i) his participation and (ii) the actual or maximum number of Shares and terms of any Awards to be granted to him, provided always that it shall not be necessary to obtain the approval of the independent shareholders of the Company for the participation in the Plan of a Controlling Shareholder or his Associate who is, at the relevant time, already a Participant. Controlling Shareholders and their Associates shall abstain from voting on any resolution in relation to their participation in the Plan and the grant of Awards to them.

5. GRANT OF AWARDS

5.1 Subject as provided in Rule 8, the Committee may grant Awards to Group Executives and Non-executive Directors as the Committee may select, in its absolute discretion, at any time during the period when the Plan is in force.

5.2 The number of Shares which are the subject of each Award to be granted to a Participant in accordance with the Plan shall be determined at the absolute discretion of the Committee, which shall take into account criteria such as his rank, job performance and potential for future development, his contribution to the success and development of the Group and the extent of effort with which the Performance Condition may be achieved within the Performance Period.

5.3 The Committee shall decide in relation to an Award:

(a) the Participant;

(b) the Award Date;

(c) the Performance Period;

(d) the number of Shares which are the subject of the Award;

(e) the Performance Condition;

(f) the Release Schedule; and

(g) any other condition which the Committee may determine in relation to that Award.

5.4 The Committee may amend or waive the Performance Period, the Performance Condition and/or the Release Schedule in respect of any Award:

(a) in the event of a take-over offer being made for the Shares or if under the Labuan Companies Act, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies or in the event of a proposal to liquidate or sell all or substantially all of the assets of the Company; or

(b) if anything happens which causes the Committee to conclude that:

(i) a changed Performance Condition and/or Release Schedule would be a fairer measure of performance, and would be no less difficult to satisfy; or

(ii) the Performance Condition and/or Release Schedule should be waived, and shall notify the Participants of such change or waiver.

5.5 As soon as reasonably practicable after making an Award, the Committee shall send to each Participant an Award Letter confirming the Award and specifying in relation to the Award:

(a) the Award Date;

(b) the Performance Period;

(c) the number of Shares which are the subject of the Award;

(d) the Performance Condition;

(e) the Release Schedule; and

(f) any other condition which the Committee may determine in relation to that Award.

5.6 Participants are not required to pay for the grant of Awards.

5.7 An Award or Released Award shall be personal to the Participant to whom it is granted and, prior to the allotment and/or transfer to the Participant of the Shares to which the Released Award relates, shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, except with the prior approval of the Committee and if a Participant shall do, suffer or permit any such act or thing as a result of which he would or might be deprived of any rights under an Award or Released Award without the prior approval of the Committee, that Award or Released Award shall immediately lapse.

5.8 The maximum number of Shares issuable or to be transferred by the Company pursuant to the Awards granted under the Plan, when aggregated with the aggregate number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company, will be 15.0% of the Company's total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day preceding that date.

6. EVENTS PRIOR TO THE VESTING DATE

6.1 An Award shall, to the extent not yet Released, immediately lapse without any claim whatsoever against the Company:

(a) in the event of misconduct on the part of the Participant as determined by the Committee in its discretion;

(b) subject to Rule 6.2(b), upon the Participant ceasing to be in the employment of the Group for any reason whatsoever; or

(c) in the event of an order being made or a resolution passed for the winding-up of the Company on the basis, or by reason, of its insolvency.

For the purpose of Rule 6.1(b), the Participant shall be deemed to have ceased to be so employed as of the date the notice of termination of employment is tendered by or is given to him, unless such notice shall be withdrawn prior to its effective date.

6.2 In any of the following events, namely:

(a) the bankruptcy of the Participant or the happening of any other event which results in his being deprived of the legal or beneficial ownership of an Award;

(b) where the Participant ceases to be in the employment of the Group by reason of:

(i) ill health, injury or disability (in each case, evidenced to the satisfaction of the Committee);

(ii) redundancy;

(iii) retirement at or after the legal retirement age;

(iv) retirement before the legal retirement age with the consent of the Committee;

(v) the company by which he is employed or to which he is seconded, as the case may be, ceasing to be a company within the Group, or the undertaking or part of the undertaking of such company being transferred otherwise than to another company within the Group, as the case may be;

(vi) (where applicable) his transfer of employment between companies within the Group;

(vii) his transfer to any government ministry, governmental or statutory body or corporation at the direction of any company within the Group; or

(viii) any other event approved by the Committee;

(c) the death of a Participant; or

(d) any other event approved by the Committee,

the Committee may, in its absolute discretion, preserve all or any part of any Award and decide as soon as reasonably practicable following such event either to Vest some or all of the Shares which are the subject of any Award or to preserve all or part of any Award until the end of the Performance Period and subject to the provisions of the Plan. In exercising its discretion, the Committee will have regard to all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant and the extent to which the Performance Condition has been satisfied.

6.3 Without prejudice to the provisions of Rule 5.4, if before the Vesting Date, any of the following occurs:

(a) a take-over offer for the Shares becomes or is declared unconditional;

(b) a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies being approved by shareholders of the Company and/or sanctioned by the court under the Labuan Companies Act; or

(c) an order being made or a resolution being passed for the winding-up of the Company (other than as provided in Rule 6.1(c) or for amalgamation or reconstruction),

the Committee will consider, at its discretion, whether or not to Release any Award, and will take into account all circumstances on a case-by-case basis, including (but not limited to) the contributions made by that Participant. If the Committee decides to Release any Award, then in determining the number of Shares to be Vested in respect of such Award, the Committee will have regard to the proportion of the Performance Period which has elapsed and the extent to which the Performance Condition has been satisfied. Where Awards are Released, the Committee will, as soon as practicable after the Awards have been Released, procure the allotment or transfer to each Participant of the number of Shares so determined, such allotment or transfer to be made in accordance with Rule 7.

7. RELEASE OF AWARDS

7.1 Review of Performance Condition

7.1.1 As soon as reasonably practicable after the end of each Performance Period, the Committee shall review the Performance Condition specified in respect of each Award and determine at its discretion whether it has been satisfied and, if so, the extent to which it has been satisfied, and provided that the relevant Participant has continued to be a Group Executive or a Non-executive Director from the Award Date up to the end of the Performance Period, shall Release to that Participant all or part (as determined by the Committee at its discretion in the case where the Committee has determined that there has been partial satisfaction of the Performance Condition) of the Shares to which his Award relates in accordance with the Release Schedule specified in respect of his Award on the Vesting Date. If not, the Awards shall lapse and be of no value.

If the Committee determines in its sole discretion that the Performance Condition has not been satisfied or (subject to Rule 6) if the relevant Participant has not continued to be a Group Executive or a Non-executive Director from the Award Date up to the end of the relevant Performance Period, that Award shall lapse and be of no value and the provisions of Rules 7.2 to 7.4 shall be of no effect.

The Committee shall have the discretion to determine whether the Performance Condition has been satisfied (whether fully or partially) or exceeded and in making any such determination, the Committee shall have the right to make computational adjustments to the audited results of the Company or the Group, to take into account such factors as the Committee may determine to be relevant, including changes in accounting methods, taxes and extraordinary events, and further the right to amend the Performance Condition if the Committee decides that a changed performance target would be a fairer measure of performance.

7.1.2 Shares which are the subject of a Released Award shall be Vested to a Participant on the Vesting Date, which shall be a Trading Day falling as soon as practicable after the review by the Committee referred to in Rule 7.1.1 and, on the Vesting Date, the Committee will procure the allotment or transfer to each Participant of the number of Shares so determined.

7.1.3 Where new Shares are allotted upon the Vesting of any Award, the Company shall, as soon as practicable after such allotment, apply to the SGX-ST for permission to deal in and for quotation of such Shares.

7.2 Release of Award

Shares which are allotted or transferred on the Release of an Award to a Participant shall be issued in the name of, or transferred to, CDP to the credit of the securities account of that Participant maintained with CDP or the securities sub-account of that Participant maintained with a Depository Agent, in each case, as designated by that Participant.

7.3 Ranking of Shares

New Shares allotted and issued, and existing Shares procured by the Company for transfer, on the Release of an Award shall:

(a) be subject to all the provisions of the Memorandum and Articles of Association of the Company (including provisions relating to the liquidation of the Company); and

(b) rank in full for all entitlements, including dividends or other distributions declared or recommended in respect of the then existing Shares, the Record Date for which is on or after the relevant Vesting Date, and shall in all other respects rank *pari passu* with other existing Shares then in issue.

For the purposes of this Rule 7.3, "Record Date" means the date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares.

7.4 Moratorium

Shares which are allotted and issued or transferred to a Participant pursuant to the Release of an Award shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, during the Retention Period, except to the extent set out in the Award Letter or with the prior approval of the Committee. The Company may take steps that it considers necessary or appropriate to enforce or give effect to this disposal restriction including specifying in the Award Letter the conditions which are to be attached to an Award for the purpose of enforcing this disposal restriction.

8. LIMITATION ON THE SIZE OF THE PLAN

8.1 The aggregate number of Shares which may be issued or transferred pursuant to Awards granted under the Plan on any date, when aggregated with the aggregate number of Shares over which options or awards are granted under any other share option schemes or share schemes of the Company, shall not exceed 15% of the total number of issued Shares (excluding Shares held by the Company as treasury shares) on the day preceding that date.

8.2 The aggregate number of Shares which may be issued or transferred pursuant to Awards under the Plan to Participants who are Controlling Shareholders and their Associates shall not exceed 25% of the Shares available under the Plan.

8.3 The number of Shares which may be issued or transferred pursuant to Awards under the Plan to each Participant who is a Controlling Shareholder or his Associate shall not exceed 10% of the Shares available under the Plan.

8.4 Shares which are the subject of Awards which have lapsed for any reason whatsoever may be the subject of further Awards granted by the Committee under the Plan.

9. ADJUSTMENT EVENTS

9.1 If a variation in the issued ordinary share capital of the Company (whether by way of a capitalisation of profits or reserves or rights issue, capital reduction, subdivision, consolidation, distribution or otherwise) shall take place, then:

(a) the class and/or number of Shares which are the subject of an Award to the extent not yet Vested;

(b) the class and/or number of Shares in respect of which future Awards may be granted under the Plan; and/or

(c) the maximum number of Shares which may be issued pursuant to Awards granted under the Plan,

shall be adjusted in such manner as the Committee may determine to be appropriate, provided that no adjustment shall be made if as a result, the Participant receives a benefit that a shareholder of the Company does not receive.

9.2 Unless the Committee considers an adjustment to be appropriate, the issue of securities as consideration for an acquisition or a private placement of securities, or the cancellation of issued Shares purchased or acquired by the Company by way of a market purchase of such Shares undertaken by the Company on the SGX-ST during the period when a share purchase mandate granted by shareholders of the Company (including any renewal of such mandate) is in force, shall not normally be regarded as a circumstance requiring adjustment.

9.3 Notwithstanding the provisions of Rule 9.1, any adjustment (except in relation to a capitalisation issue) must be confirmed in writing by the Auditors (acting only as experts and not as arbitrators) to be in their opinion, fair and reasonable.

9.4 Upon any adjustment required to be made pursuant to this Rule 9, the Company shall notify the Participant (or his duly appointed personal representatives where applicable) in writing and deliver to him (or his duly appointed personal representatives where applicable) a statement setting forth the class and/or number of Shares thereafter to be issued or transferred on the Vesting of an Award. Any adjustment shall take effect upon such written notification being given.

10. ADMINISTRATION OF THE PLAN

10.1 The Plan shall be administered by the Committee in its absolute discretion with such powers and duties as are conferred on it by the board of directors of the Company, provided that no member of the Committee shall participate in any deliberation or decision in respect of Awards to be granted to him or held by him.

10.2 The Committee shall have the power, from time to time, to make and vary such arrangements, guidelines and/or regulations (not being inconsistent with the Plan) for the implementation and administration of the Plan, to give effect to the provisions of the Plan and/or to enhance the benefit of the Awards and the Released Awards to the Participants, as it may, in its absolute discretion, think fit. Any matter pertaining or pursuant to the Plan and any dispute and uncertainty as to the interpretation of the Plan, any rule, regulation or procedure thereunder or any rights under the Plan shall be determined by the Committee.

10.3 Neither the Plan nor the grant of Awards under the Plan shall impose on the Company or the Committee or any of its members any liability whatsoever in connection with: (a) the lapsing of any Awards pursuant to any provision of the Plan; (b) the failure or refusal by the Committee to exercise, or the exercise by the Committee of, any discretion under the Plan; and/or (c) any decision or determination of the Committee made pursuant to any provision of the Plan.

10.4 Any decision or determination of the Committee made pursuant to any provision of the Plan (other than a matter to be certified by the Auditors) shall be final, binding and conclusive (including for the avoidance of doubt, any decisions pertaining to disputes as to the interpretation of the Plan or any rule, regulation or procedure hereunder or as to any rights under the Plan). The Committee shall not be required to furnish any reasons for any decision or determination made by it.

10.5 A Director who is a member of the Committee shall not be involved in its deliberation in respect of Awards to be granted to him.

11. NOTICES AND COMMUNICATIONS

11.1 Any notice required to be given by a Participant to the Company shall be sent or made to the registered office of the Company or such other addresses (including electronic mail addresses) or facsimile number, and marked for the attention of the Committee, as may be notified by the Company to him in writing.

11.2 Any notices or documents required to be given to a Participant or any correspondence to be made between the Company and the Participant shall be given or made by the Committee (or such person(s) as it may from time to time direct) on behalf of the Company and shall be delivered to him by hand or sent to him at his home address, electronic mail address or facsimile number according to the records of the Company or the last known address, electronic mail address or facsimile number of the Participant.

11.3 Any notice or other communication from a Participant to the Company shall be irrevocable, and shall not be effective until received by the Company. Any other notice or communication from the Company to a Participant shall be deemed to be received by that Participant, when left at the address specified in Rule 11.2 or, if sent by post, on the day following the date of posting or, if sent by electronic mail or facsimile transmission, on the day of dispatch.

12. MODIFICATIONS TO THE PLAN

12.1 Any or all the provisions of the Plan may be modified and/or altered at any time and from time to time by a resolution of the Committee, except that:

(a) no modification or alteration shall alter adversely the rights attached to any Award granted prior to such modification or alteration except with the consent in writing of such number of Participants who, if their Awards were Released to them upon the Performance Conditions for their Awards being satisfied in full, would become entitled to not less than three-quarters in number of all the Shares which would fall to be Vested upon Release of all outstanding Awards upon the Performance Conditions for all outstanding Awards being satisfied in full;

(b) the definitions of "Associated Company", "Group Executive", "Group Executive Director", "Non-executive Director", "Participant", "Performance Period" and "Release Schedule" and the provisions of Rules 4, 5, 6, 7, 8, 9, 10, 12 and 13 relating to the matters contained in Rules 843 to 848, and Rules 852 to 853 of the Catalist Rules shall not be altered to the advantage of Participants except with the prior approval of the Company's shareholders in general meeting; and

(c) no modification or alteration shall be made without the prior approval of the SGX-ST and such other regulatory authorities as may be necessary.

For the purposes of Rule 12.1(a), the opinion of the Committee as to whether any modification or alteration would adversely affect the rights attached to any Award shall be final, binding and conclusive.

For the avoidance of doubt, nothing in this Rule 12.1 shall affect the right of the Committee under any other provision of the Plan to amend or adjust any Award.

12.2 Notwithstanding anything to the contrary contained in Rule 12.1, the Committee may at any time by resolution (and without other formality, save for the prior approval of the SGX-ST) amend or alter the Plan in any way to the extent necessary or desirable, in the opinion of the Committee, to cause the Plan to comply with, or take into account, any statutory provision (or any amendment or modification thereto, including amendment of or modification to the Labuan Companies Act) or the provision or the regulations of any regulatory or other relevant authority or body (including the SGX-ST).

12.3 Written notice of any modification or alteration made in accordance with this Rule 12 shall be given to all Participants.

13. TAKE-OVER AND WINDING UP OF THE COMPANY

13.1 Subject to Rule 13.5, in the event of a take-over being made for the Shares, a Participant shall be entitled to the Shares under the Awards if he has met the Performance Condition for the corresponding Performance Period. For the avoidance of doubt, the vesting of such Awards shall not be affected by the take-over offer.

13.2 If under any applicable laws, the court sanctions a compromise or arrangement proposed for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with another company or companies, each Participant who has fulfilled his Performance Condition shall be entitled, notwithstanding the provisions under this Rule 13 but subject to Rule 13.5, to any Shares under the Awards so determined by the Committee to be released to him during the period commencing on the date upon which the compromise or arrangement is sanctioned by the court and ending either on the expiry of 60 days thereafter or the date upon which the compromise or arrangement becomes effective, whichever is later.

13.3 If an order is made for the winding-up of the Company on the basis of its insolvency, all Awards, notwithstanding that Shares may not have been released to the Participants, shall be deemed null and void.

13.4 In the event of a members' voluntary winding-up (other than for amalgamation or reconstruction), the Shares under the Awards shall be released to the Participant for so long as, in the absolute determination by the Committee, the Participant has met the Performance Condition prior to the date on which the members' voluntary winding-up is deemed to have commenced or is effective in law.

13.5 If in connection with the making of a general offer referred to in Rule 13.1 or the scheme referred to in Rule 13.2 or the winding-up referred to in Rule 13.4, arrangements are made (which are confirmed in writing by the Auditors, acting only as experts and not as arbitrators, to be fair and reasonable) for the compensation of the Participants, whether by the payment of cash or by any other form of benefit, no Release of Shares under the Award shall be made in such circumstances.

14. TERMS OF EMPLOYMENT UNAFFECTED

The terms of employment of a Participant shall not be affected by his participation in the Plan, which shall neither form part of such terms nor entitle him to take into account such participation in calculating any compensation or damages on the termination of his employment for any reason.

15. DURATION OF THE PLAN

15.1 The Plan shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Plan may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

15.2 The Plan may be terminated at any time by the Committee or, at the discretion of the Committee, by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further Awards shall be granted by the Committee hereunder.

15.3 The expiry or termination of the Plan shall not affect Awards which have been granted prior to such expiry or termination, whether such Awards have been Released (whether fully or partially) or not.

16. TAXES

All taxes (including income tax) arising from the grant or Release of any Award granted to any Participant under the Plan shall be borne by that Participant.

17. COSTS AND EXPENSES OF THE PLAN

17.1 Each Participant shall be responsible for all fees of CDP relating to or in connection with the issue and allotment or transfer of any Shares pursuant to the Release of any Award in CDP's name, the deposit of share certificate(s) with CDP, the Participant's securities account with CDP, or the Participant's securities sub-account with a Depository Agent.

17.2 Save for the taxes referred to in Rule 15 and such other costs and expenses expressly provided in the Plan to be payable by the Participants, all fees, costs and expenses incurred by the Company in relation to the Plan including but not limited to the fees, costs and expenses relating to the allotment and issue, or transfer, of Shares pursuant to the Release of any Award shall be borne by the Company.

18. DISCLAIMER OF LIABILITY

Notwithstanding any provisions herein contained, the Committee and the Company shall not under any circumstances be held liable for any costs, losses, expenses and damages whatsoever and howsoever arising in any event, including but not limited to the Company's delay in issuing, or procuring the transfer of, the Shares or applying for or procuring the listing of new Shares on the SGX-ST in accordance with Rule 7.1.3.

19. REPORTING REQUIREMENTS

19.1 Under the Catalist Rules, an immediate announcement must be made on the Award Date and the announcement must provide details of the grant, including the following:

(a) date of grant;

(b) market price of the Shares on the Award Date;

(c) number of Shares granted under the Award;

(d) number of Shares granted to each Director and Controlling Shareholder (and each of their Associates) under the Award, if any; and

(e) the vesting period in relation to the Award.

19.2 The following disclosures (as applicable) will be made by the Company in its annual report for so long as the Plan continues in operation:

(a) the names of the members of the Committee administering the Plan;

(b) the information required in the table below in respect of the following Participants of the Plan:

(i) directors of the Company;

(ii) Controlling Shareholders and their Associates; and

(iii) Participants (other than those in paragraphs (i) and (ii) above) who have received Shares pursuant to the Release of Awards granted under the Plan which, in aggregate, represent 5.0% or more of the aggregate of the total number of Shares available under the Plan; and

Name of participant	Aggregate number of Shares comprised in Awards under the Serial Achieva Per formance Share Plan during the financial year under review (including terms)	Aggregate number of Shares comprised in Awards granted to such participant since commencement of the Serial Achieva Performance Share Plan to end of financial year under review	Aggregate number of Shares comprised in Awards issued since commencement of the Serial Achieva Performance Share Plan to end of financial year under review	Aggregate number of Shares comprised in Awards which have not been released as at the end of financial year under review

(iv) such other information as may be required by the Catalist Rules or the Labuan Companies Act, provided that if any of the above requirements are not applicable, an appropriate negative statement will be included in the annual report.

20. DISPUTES

Any disputes or differences of any nature arising hereunder shall be referred to the Committee and its decision shall be final and binding in all respects.

21. ABSTENTION FROM VOTING

Shareholders who are eligible to participate in the Plan are to abstain from voting on any Shareholders' resolution relating to the Plan and should not accept nominations as proxy or otherwise for voting unless specific instructions have been given in the proxy for on how the vote is to be cast. In particular, all Shareholders who are eligible to participate in the Plan shall abstain from voting on the following resolutions, where applicable (a) implementation of the Plan, and (b) participation by and grant of Awards to Controlling Shareholders and their Associates.

22. GOVERNING LAW

The Plan shall be governed by, and construed in accordance with, the laws of the Republic of Singapore. The Participants, by accepting grants of Awards in accordance with the Plan, and the Company submit to the exclusive jurisdiction of the courts of the Republic of Singapore.

23. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 2001

No person other than the Company or a Participant shall have any right to enforce any provision of the Plan or any Award by the virtue of the Contracts (Rights of Third Parties) Act 2001 of Singapore.

AXINGTON INC.

(Company Registration No.: LL12218)
(A Company incorporated under the Labuan Companies Act 1990, Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("**EGM**") of Axington Inc. (the "**Company**") will be held at 218 Pandan Loop S128408, L2 Xhowroom, on Monday, 22 January 2024, at 10.30 a.m., for the purpose of considering and, if thought fit, passing with or without amendment, the special and ordinary resolutions as set out below.

All capitalised terms used in this notice which are not defined herein shall have the meanings ascribed to them in the circular to Shareholders of the Company dated 27 December 2023.

This notice has been made available on SGXNET and may be accessed at https://www.sgx.com/securities/company-announcements.

Shareholders should note that:

Ordinary Resolutions 1, 2, 3, 6 and 8 and Special Resolution 1 ("**Key Resolutions**") are inter-conditional upon each other; and

Ordinary Resolutions 4, 5, 7, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19 and 20 and Special Resolution 2 are conditional upon the passing of the Key Resolutions ("**Conditional Resolutions**").

This means that if any of the Key Resolutions is not passed, the other Key Resolutions would not be passed, and if any of the Key Resolutions is not passed, the Conditional Resolutions would not be passed.

AS ORDINARY RESOLUTIONS

ORDINARY RESOLUTION 1: THE PROPOSED ACQUISITION

That subject to and contingent upon the passing of the Key Resolutions, the Proposed Acquisition be and is hereby approved and that authority be and is hereby given to each of the Directors:

(a) to carry out and implement the Proposed Acquisition in accordance with the SPA; and

(b) to complete and do all such acts and things, including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 1.

ORDINARY RESOLUTION 2: THE PROPOSED ISSUANCE OF CONSIDERATION SHARES

That subject to and contingent upon the passing of the Key Resolutions, authority be and is hereby given to each of the Directors:

(a) to allot and issue to the Vendor (or its respective nominees) an aggregate of up to 114,406,780 Consideration Shares, credited as fully paid-up, at the Issue Price subject to the terms and conditions set out in the SPA; and

(b) to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 2.

ORDINARY RESOLUTION 3: THE PROPOSED WHITEWASH RESOLUTION

That subject to and contingent upon the passing of the Key Resolutions, the Independent Shareholders of the Company, hereby, on a poll taken, unconditionally and irrevocably waive their right under Rule 14 of the Singapore Code on Take-Overs and Mergers to receive a mandatory general offer from Serial System, for all the shares in the capital of the Company in issue not already owned, controlled or agreed to be acquired by Serial System, as a result of the allotment and issuance of the Consideration Shares upon Completion.

ORDINARY RESOLUTION 4: THE PROPOSED ISSUANCE OF INTRODUCER SHARES

That subject to and contingent upon the passing of the Key Resolutions, authority be and is hereby given to each of the Directors:

(a) to allot and issue to the Introducer an aggregate of up to 2,118,644 Introducer Shares, credited as fully paid-up, at the Issue Price subject to the terms and conditions set out in the SPA; and

(b) to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 4.

ORDINARY RESOLUTION 5: THE PROPOSED COMPLIANCE PLACEMENT

That subject to and contingent upon the passing of the Key Resolutions, authority be and is hereby given to each of the Directors:

(a) to allot and issue up to 22,500,000 Placement Shares pursuant to the Proposed Compliance Placement; and

(b) to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 5.

ORDINARY RESOLUTION 6: THE PROPOSED SHARE CONSOLIDATION

That subject to and contingent upon the passing of the Key Resolutions, the Directors be and are hereby authorised to consolidate every eight (8) Shares to one (1) Consolidated Share in the capital of the Company.

ORDINARY RESOLUTION 7: THE PROPOSED APPOINTMENT OF MR KENNY SIM AS PROPOSED NEW DIRECTOR

That subject to and contingent upon the passing of the Key Resolutions and Completion, Mr Kenny Sim be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 8: THE PROPOSED IPT MANDATE

That subject to and contingent upon the passing of the Key Resolutions, authority be and is hereby given to each of the Directors:

(a) for the purposes of Chapter 9 of the Catalist Rules, for the Company to enter into any of the transactions falling within the types of Mandated Transactions as set out in the Circular, provided that such transactions are made on normal commercial terms and in accordance with the review procedures for such interested person transactions;

(b) the Proposed IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next annual general meeting of the Company; and

(c) the Directors of the Company be and are hereby authorised to do all acts and things as they may in their discretion deem necessary, desirable or expedient in the interests of the Company to give effect to the Proposed IPT Mandate and/or this Ordinary Resolution.

ORDINARY RESOLUTION 9: THE PROPOSED APPOINTMENT OF MR SEAN GOH AS PROPOSED NEW DIRECTOR

That subject to and contingent upon the passing of the Key Resolutions and Completion, Mr Sean Goh be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 10: THE PROPOSED APPOINTMENT OF MS VICTORIA GOH AS PROPOSED NEW DIRECTOR

That subject to and contingent upon the passing of the Key Resolutions and Completion, Ms Victoria Goh be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 11: THE PROPOSED APPOINTMENT OF MR TAN THIAM HEE AS PROPOSED NEW DIRECTOR

That subject to and contingent upon the passing of the Key Resolutions and Completion, Mr Tan Thiam Hee be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 12: THE PROPOSED APPOINTMENT OF MR KENNY YAP KIM LEE AS PROPOSED NEW DIRECTOR

That subject to and contingent upon the passing of the Key Resolutions and Completion, Mr Kenny Yap Kim Lee be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 13: THE PROPOSED APPOINTMENT OF MR SOLOMON TAN AS PROPOSED NEW DIRECTOR

That subject to and contingent upon the passing of the Key Resolutions and Completion, Mr Solomon Tan be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 14: THE PROPOSED APPOINTMENT OF MR JASON SU AS PROPOSED NEW DIRECTOR

That subject to and contingent upon the passing of the Key Resolutions and Completion, Mr Jason Su be and is hereby appointed as a director of the Company with effect from Completion.

ORDINARY RESOLUTION 15: THE PROPOSED NEW SHARE ISSUE MANDATE

That subject to and contingent upon the passing of the Key Resolutions, the Proposed New Share Issue Mandate be and is hereby approved and that authority be and is hereby given to each of the Directors:

(a) subject to and in accordance with the terms of the Memorandum and Articles of Association, to allot and issue Shares at any time and upon such terms and conditions, and to such persons as the Directors shall in their absolute discretion deem fit, provided that the aggregate number of new Shares to be issued pursuant to such authority shall not exceed 100% of the then existing issued share capital of the Company, and that the aggregate number of shares to be issued other than on a *pro rata* basis to the then existing Shareholders shall not exceed 50% of the then existing issued share capital of the Company, and, unless revoked or varied by the Shareholders in general meeting, such authority shall continue in full force until the conclusion of the next annual general meeting or the date by which the next annual general meeting is required by law to be held, whichever is earlier; and

(b) to complete and do all such acts and things, including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 15.

ORDINARY RESOLUTION 16: THE PROPOSED CHANGE OF INDEPENDENT AUDITOR

That subject to and contingent upon the passing of the Key Resolutions:

(a) the resignation of Foo Kon Tan LLP as the auditor be and is hereby noted and that Moore Stephens LLP, having consented to act, be and are hereby appointed as the auditor in place of Foo Kon Tan LLP, to hold office until the conclusion of the next annual general meeting of the Company at a fee and on such terms as may be agreed by the Directors with Moore Stephens LLP; and

(b) the Directors and each of them be and are hereby authorised to complete and do all such acts and things, including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 16.

ORDINARY RESOLUTION 17: THE PROPOSED ADOPTION OF THE SERIAL ACHIEVA EMPLOYEE SHARE OPTION SCHEME

That subject to and contingent upon the passing of the Key Resolutions:

(a) the Serial Achieva Employee Share Option Scheme be and is hereby approved and adopted substantially in the form set out in Appendix K to the Circular;

(b) the Directors be and are hereby authorised:

(i) to establish and administer the Serial Achieva Employee Share Option Scheme;

(ii) to modify and/or alter the Serial Achieva Employee Share Option Scheme at any time and from time to time, provided that such modification and/or alteration is effected in accordance with the provisions of the Serial Achieva Share Option Scheme, and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Serial Achieva Share Option Scheme;

(iii) to offer and grant Options in accordance with the rules of the Serial Achieva Employee Share Option Scheme, to allot and issue from time to time such number of fully paid-up Shares as may be required to be issued pursuant to the exercise of the Options under the Serial Achieva Employee Share Option Scheme, provided that the aggregate number of Shares issued and issuable in respect of all Serial Achieva Employee Share Option Scheme granted under the Serial Achieva Employee Share Option Scheme and all outstanding options or awards granted under such other share-based incentive schemes or plans of the Company shall not exceed 15% of the issued Shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and

(iv) to complete and do all such acts and things (including executing such documents as may be required) as they may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and authorised by this Ordinary Resolution 17.

ORDINARY RESOLUTION 18: THE PROPOSED GRANT OF AUTHORITY TO OFFER AND GRANT OPTIONS AT A DISCOUNT UNDER THE SERIAL ACHIEVA SHARE OPTIONS SCHEME

That subject to and contingent upon the passing of the Key Resolutions, approval is given for:

(a) the maximum discount that may be given under the Serial Achieva Share Option Scheme to be up to 20% of the Market Price for the Shares at the date on which an Option is granted under the rules of the Serial Achieva Share Option Scheme; and

(b) the directors of the Company be and are hereby authorised to offer and grant Options in accordance with the rules of the Serial Achieva Share Option Scheme with exercise prices set at a discount to the Market Price.

ORDINARY RESOLUTION 19: THE PROPOSED ADOPTION OF THE SERIAL ACHIEVA PERFORMANCE SHARE PLAN

That subject to and contingent upon the passing of the Key Resolutions:

(a) the Serial Achieva Performance Share Plan be and is hereby approved and adopted substantially in the form set out in Appendix L to the Circular; and

(b) the Directors be and are hereby authorised:

(i) to establish and administer the Serial Achieva Performance Share Plan;

(ii) to modify and/or alter the Serial Achieva Performance Share Plan at any time and from time to time, provided that such modification and/or alteration is effected in accordance with the provisions of the Serial Achieva Performance Share Plan, and to do all such acts and to enter into all such transactions and arrangements as may be necessary or expedient in order to give full effect to the Serial Achieva Performance Share Plan;

(iii) to grant Awards in accordance with the rules of the Serial Achieva Performance Share Plan and, to allot and issue from time to time such number of fully paid-up Shares as may be required to be issued pursuant to the vesting of Awards under the Serial Achieva Performance Share Plan, provided that the aggregate number of Shares issued and issuable in respect of all Awards granted under the Serial Achieva Performance Share Plan and all outstanding options or awards granted under such other share-based incentive schemes or plans of the Company shall not exceed 15% of the issued Shares of the Company (excluding treasury shares and subsidiary holdings) from time to time; and

(iv) to complete and do all such acts and things (including executing such documents as may be required) as they may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and authorised by this Ordinary Resolution 19.

ORDINARY RESOLUTION 20: THE PROPOSED ISSUANCE OF THE INTERCO SHARES

That subject to and contingent upon the passing of the Key Resolutions, authority be and is hereby given to each of the Directors:

(a) to allot and issue to Serial System an aggregate of 17,410,169 Interco Shares, credited as fully paid-up Shares, at the Issue Price; and

(b) to complete and do all such acts and things including, without limitation, executing all such documents and approving any amendments, alterations or modifications to any documents as they may consider necessary, desirable or expedient to give effect to this Ordinary Resolution 20.

AS SPECIAL RESOLUTIONS

SPECIAL RESOLUTION 1: THE PROPOSED CHANGE OF NAME OF THE COMPANY FROM "AXINGTON INC." TO "SERIAL ACHIEVA LIMITED"

That subject to and contingent upon the passing of the Key Resolutions, the Directors be and are hereby authorised to change the name of the Company from "Axington Inc." to "Serial Achieva Limited".

SPECIAL RESOLUTION 2: THE PROPOSED ADOPTION OF THE NEW MEMORANDUM OF ARTICLES

That subject to and contingent upon the passing of the Key Resolutions and Completion, the New Memorandum and Articles, which will replace the Existing Memorandum and Articles entirely, be adopted by the Company.

BY ORDER OF THE BOARD

Ang Chiang Meng
Executive Director

27 December 2023

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*This notice has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**") for compliance with the relevant rules of the SGX-ST.*

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions contained in this notice.

The contact person for the Sponsor is Mr Josh Tan – Registered Professional, at 36 Robinson Road, #10-06, City House, Singapore 068877, sponsor@rhtgoc.com.

NOTES:

1. A member of the Company entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote on his/her behalf.

2. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.

   (b) A member of the Company who holds Shares through a relevant intermediary (as defined in Section 181 of the Companies Act 1967 of Singapore (the "**Companies Act**") and who wishes to exercise their votes should approach their respective relevant intermediaries to submit their voting instructions at least seven (7) working days before the EGM (i.e. **by 10.30 a.m. on 13 January 2024**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to vote on their behalf **no later than 10.30 a.m. on 19 January 2024**.

3. A proxy need not be a Shareholder.

4. The instrument appointing a proxy or proxies must be signed under the hand of the appointer or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

6. **The instrument appointing a proxy or proxies must be deposited at the office of the Singapore Share Registrar and Transfer Agent, Tricor Barbinder Share Registration Services at 9 Raffles Place, #26-01 Republic Plaza I, Singapore 048619, not less than forty-eight (48) hours before the time appointed for holding the meeting.** If a member submits a proxy form and subsequently attends the meeting in person and votes, the appointment of the proxy should be revoked.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act.

8. A member can appoint the Chairman of the meeting as his/her/its proxy but this is not mandatory. If a member wishes to appoint the Chairman of the meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the meeting as proxy. If no specific direction is given as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the general meeting as proxy for that resolution will be treated as invalid.

9. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

10. Any reference to a time of day is made by reference to Singapore time.

ACCESS TO DOCUMENTS OR INFORMATION RELATING TO THE EGM

All documents and information relating to the business of the EGM (comprising the Circular, together with the enclosed Notice of EGM and the accompanying Proxy Form) are available on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.

SUBMISSION OF QUESTIONS PRIOR TO EGM

Shareholders who have any questions in relation to any agenda item of this notice, are also encouraged to send their questions to the Company in advance, by 15 January 2024, via email to axington@outlook.com or by post to the Company's Share Registrar, Tricor Barbinder Share Registration Services, at 9 Raffles Place, #26-01 Republic Plaza I, Singapore 048619 ("**Questions Deadline**"). When submitting questions, Shareholders should provide their details including their full name, NRIC/Passport/ Company Registration No., contact number and email address for verification purposes. Questions must be submitted not later than the Questions Deadline so that relevant and substantial queries may be addressed during the EGM proceedings.

The Company will endeavour to upload the Company's responses to all substantial and relevant questions from Shareholders on the SGXNet at the URL https://www.sgx.com/securities/companyannouncements forty-eight (48) hours prior to the closing date and time for lodgement of the proxy forms, i.e., by 10.30 a.m. on 17 January 2024. The Company will address those substantial and relevant questions related to the resolutions to be tabled for approval at the EGM, which have not already been addressed prior to the EGM, during the EGM proceedings itself and through the publication of the minutes of the EGM on SGXNet within one (1) month after the date of EGM.

Shareholders or their corporate representative must state his/her full name, identification/registration number and whether he/she is a Shareholder or a corporate representative of a corporate Shareholder. Any question without the identification details will not be addressed.

PERSONAL DATA PRIVACY

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a Shareholder (i) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guideline (collectively, the "**Purposes**"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

AXINGTON INC.
(Company Registration No.: LL12218)
(A Company incorporated under the Labuan Companies Act 1990, Malaysia)

PROXY FORM
EXTRAORDINARY GENERAL MEETING

IMPORTANT

1. This instrument of proxy is not valid for use by the Supplementary Retirement Scheme Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
2. By submitting an instrument appointing proxy(ies) and/or representative(s), a member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 27 December 2023.

I/We*, _____ (Name) (NRIC/Passport/Registration number _____)

of _____ (Address)

being a member/ members* of **Axington Inc.** (the "**Company**") hereby appoint:

Name	**NRIC/Passport Number**	**Proportion of Shareholding**	
		Number of Shares	**%**
Address			

and/or (deleted as appropriate)

Name	**NRIC/Passport Number**	**Proportion of Shareholding**	
		Number of Shares	**%**
Address			

or failing him, the Chairman of the Extraordinary General Meeting ("**EGM**") of the Company as my/our* proxy/ proxies* to attend and vote for me/us* on my/our* behalf at the EGM of the Company to be held at 218 Pandan Loop S128408, L2 Xhowroom on 22 January 2024, 10.30 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against or abstain from voting on the resolution to be proposed at the EGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* may vote or abstain from voting at his/their* discretion. Where the Chairman is appointed as proxy and in the absence of specific directions as to voting is given, the appointment of the Chairman as your proxy will be treated as invalid.

ORDINARY RESOLUTIONS		**Number of Votes For****	**Number of Votes Against****	**Number of Votes to Abstain****
1.	To approve the Proposed Acquisition			
2.	To approve the Proposed Issuance of Consideration Shares			
3.	To approve the Proposed Whitewash Resolution			
4.	To approve the Proposed Issuance of Introducer Shares			
5.	To approve the Proposed Compliance Placement			
6.	To approve the Proposed Share Consolidation			
7.	To approve the Proposed Appointment of Mr Kenny Sim as Proposed New Director			
8.	To approve the Proposed IPT Mandate			

9.	To approve the proposed appointment of Mr Sean Goh as a Proposed New Director			
10.	To approve the proposed appointment of Ms Victoria Goh as a Proposed New Director			
11.	To approve the proposed appointment of Mr Tan Thiam Hee as a Proposed New Director			
12.	To approve the proposed appointment of Mr Kenny Yap Kim Lee as a Proposed New Director			
13.	To approve the proposed appointment of Mr Solomon Tan as a Proposed New Director			
14.	To approve the proposed appointment of Mr Jason Su as a Proposed New Director			
15.	To approve the Proposed New Share Issue Mandate			
16.	To approve the Proposed Change of Independent Auditor			
17.	To approve the Proposed Adoption of the Serial Achieva Employee Share Option Scheme			
18.	To approve the proposed grant of authority to offer and grant Options at a discount under the Serial Achieva Employee Share Option Scheme			
19.	To approve the Proposed Adoption of the Serial Achieva Performance Share Plan			
20.	To approve the Proposed Issuance of the Interco Shares			

SPECIAL RESOLUTIONS		**Number of Votes For****	**Number of Votes Against****	**Number of Votes to Abstain****
1.	To approve the proposed change of name of the Company from "Axington Inc." to "Serial Achieva Limited"			
2.	To approve the proposed adoption of the New Memorandum of Articles			

* Delete Accordingly

** If you wish to exercise all your votes "For" or "Against" or "Abstain" for each resolution, please indicate so with a (✓) within the box provided. Alternatively, please indicate the number of votes "For" or "Against" or "Abstain" against each resolution in the boxes provided as appropriate. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the EGM as your proxy for that resolution will be treated as invalid.**

Signed this _____ day of _____, 2024

Total No. of Shares in:	
CDP Register	
Register of Members	

_____

Signature(s) of Member(s) or Common Seal

IMPORTANT: PLEASE READ THE NOTES OVERLEAF

NOTES TO PROXY FORM:

1. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares. If you have shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this instrument appointing a proxy or proxies will be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at the extraordinary general meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead.

3. (a) A member (otherwise than a relevant intermediary) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.

   (b) A member of the Company who holds Shares through a relevant intermediary (as defined in Section 181 of the Companies Act 1967 of Singapore (the "**Companies Act**") and who wishes to exercise their votes should approach their respective relevant intermediaries to submit their voting instructions at least seven (7) working days before the EGM (i.e. **by 10.30 a.m. on 13 January 2024**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to vote on their behalf **no later than 10.30 a.m. on 19 January 2024**.

4. A proxy need not be a Shareholder.

5. The instrument appointing a proxy or proxies must be signed under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. **The instrument appointing a proxy or proxies must be deposited at the office of the Singapore Share Registrar and Transfer Agent, Tricor Barbinder Share Registration Services at 9 Raffles Place, #26-01 Republic Plaza I, Singapore 048619, not less than forty-eight (48) hours before the time appointed for holding the meeting.** If a member submits a proxy form and subsequently attends the meeting in person and votes, the appointment of the proxy should be revoked.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act.

9. A member can appoint the Chairman of the meeting as his/her/its proxy but this is not mandatory. If a member wishes to appoint the Chairman of the meeting as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the meeting as proxy. If no specific direction is given as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman of the general meeting as proxy for that resolution will be treated as invalid.

10. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

11. Any reference to a time of day is made by reference to Singapore time.

Personal Data Privacy

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a Shareholder (i) consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guideline (collectively, the "**Purposes**"), (ii) warrants that where the Shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the Shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.